EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.31,048 © FINANCIAL TIMES 1990

Monday January 15 1990

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1992
Corporate taxation escapes the EC net
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World News

Row brews over three men shot in Belfast

The British Government was under pressure last night to explain the tactics of Northern Ireland's security forces after undercover soldiers shot dead three men in West Belfast.

Brian Mawhinney, Northern Ireland Minister of State, dismissed allegations that the British Army was operating a "shoot-to-kill" policy in the province. Page 18

Hurd's HK plan

Douglas Hurd, the British Foreign Secretary, is considering mapping out only a short-term programme for the development of democracy in Hong Kong which is due to start in 1991 with limited elections. Page 18

Mongolians protest

Several thousand people belonging to the Mongolian Democratic Federation, an opposition group, staged a rally calling for an end to one of the world's oldest Communist systems, official East German news agency ADN said.

East German unrest

East Germany's Communist-led Government, under growing pressure from the opposition and party members to speed up the democratisation process, faces the threat of industrial strikes. Page 2

Soviet energy crisis

Reports from across the Soviet Union suggest that the world's largest energy producer is facing a potentially explosive energy crisis. Page 3

Walesa woos Japan

Solidarity chairman Lech Walesa told visiting Japanese Prime Minister Toshiki Kaifu that Poland wants to become a "second Japan" and asked Japanese firms to establish joint ventures as models for economic reform. Earlier story, Page 3

Comecon quarrel

Row over financial and currency relations between members of the Comecon organisation has erupted between the Soviet Union and those East European states, led by Czechoslovakia, most committed to introducing market principles. Page 18

Gorbachev returns

President Mikhail Gorbachev flew back to Moscow after apparently failing to convince the leaders of the rebellious Lithuanian republic not to break away from his ruling Communist party. Page 3

Spy death sentence

Senior Soviet diplomat, known as "Donald," who for almost 30 years passed defence secrets to US intelligence under the nose of the KGB, has been sentenced to death in Moscow. It was unclear whether the sentence had been carried out.

Earthquake in China

Strong earthquake hit a remote part of China's north-western Qinghai province but there were no immediate reports of deaths.

Disco fire kills 43

Forty-three people trapped by smoke died in a blaze at a disco in the northern Spanish city of Zaragoza.

Nuclear test talks

US and the Soviet Union resume talks on limiting underground nuclear tests with both sides expecting agreement by the middle of the year.

Ozal assurance

President Turgut Ozal told an Iraqi minister that Turkey had taken steps to prevent the temporary diversion of the Euphrates River from harming downstream users in Iraq and Syria.

EC aid for Bulgaria

The EC may soon reach an agreement with Bulgaria on ways to help the country make the transition towards a free market economy.

Europe's good terms

East European countries want to stay on good terms with Syria and other Arab states despite moves to improve ties with Israel, diplomats say.

Holiday homes blast

Around 60 masked gunmen, suspected of belonging to the Corsican National Liberation Front, burst into a holiday camp on the island of Corsica and held about 15 tourists at gunpoint while they set off explosives to destroy holiday homes. There were no casualties.

Business Summary

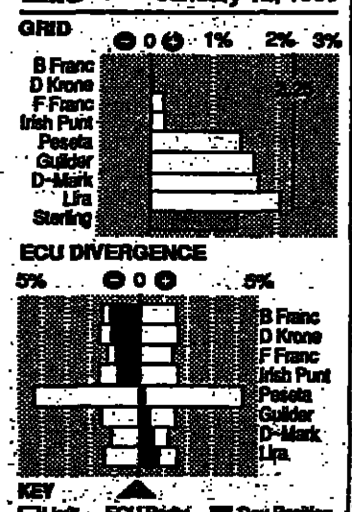
UK strikes may hit all Ford plants in Europe

FORD Motor's UK car and engineering production operations could be crippled by indefinite unofficial strike action by maintenance workers.

The action, which comes in a week of critical talks between union leaders and Ford over the company's 10.2 per cent pay offer, could also affect mainland European plants producing the Escort, Orion and Fiesta cars, which use engines made at Bridgend, South Wales. Page 6

EUROPEAN Monetary System: The Italian lira finished at the top of the EMS last week, following its recent devaluation. Weaker members of the system, including the French franc, were helped when Mr Karl Otto Pöhl, the Bundesbank president, dismissed speculation about a full EMS realignment. The Danish krone and Belgian franc were the weakest EMS currencies but finished well within their divergence limits.

EMS January 12, 1990



The chart shows the constraints of EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the lira and peseta may move by more than 2¼ per cent. The lower chart gives currencies' divergence from the central rate against the European Currency Unit (Ecu).

SEC, the US Securities and Exchange Commission will be given greater powers to regulate and seek information from securities markets under legislation due to be taken up when Congress returns later this month. Page 18

AIR FRANCE's takeover of UTA looks likely to spur the European Commission into acting to stem the tide of airline mergers and co-operation deals. Flying in the face of EC policy, Page 19

AEROSPATIALE, France's state-owned aircraft and missile maker, has had to transfer workers from Toulouse because the strike at British Aerospace is slowing work on Airbus assembly. Page 21

BANQUE INDOSUEZ, the French investment bank, plans to take over the rapidly growing Dutch stockbroking house, Kooijman. Page 21

CEIBA-GEIGY, Swiss chemical company, reported record group sales of SFr20.6bn ($13.3bn) last year, an increase of 17 per cent. Page 25

AN austere UK budget seemed more likely over the weekend as the Government found its counter-inflation policy under growing threat from rising pay claims. Page 6

KUWAIT plans to merge several local banks to form three or four larger institutions, said Sheikh Salem Abdul-Aziz al-Sabah, the central bank governor. Page 20

METAL LEVE, one of Brazil's leading engine component manufacturers, is to begin construction of a $100m factory in Portugal. Page 21

PLATE GLASS & Shatterprufe Industries (PGSI), South African-owned glass and wood group, has relinquished control of its overseas wood interests to a consortium of American and European private investors. Page 21

J.P. MORGAN is expected to launch into formal syndication this week $400m of senior loans to finance the management buy-out of Swedish Match from the Stora group. Page 24

CHEVRON, the US energy company, hopes to sell its Bahamas-based oil terminal, storage and refinery facilities to the state-owned Petroleos de Venezuela (PDVSA). Page 21

Soviet troops struggle to quell riots in Azerbaijan

By **Quentin Peel** in Moscow

AT LEAST 30 people were killed by mobs of Azerbaijani nationalists who attacked Armenian residents in Baku, the Azerbaijani capital, at the weekend.

The violence was the worst since race riots two years ago in the neighbouring city of Sumgait left 32 dead.

Sporadic violence in the streets continued during the day yesterday, in spite of urgent reinforcements of Soviet troops in Baku.

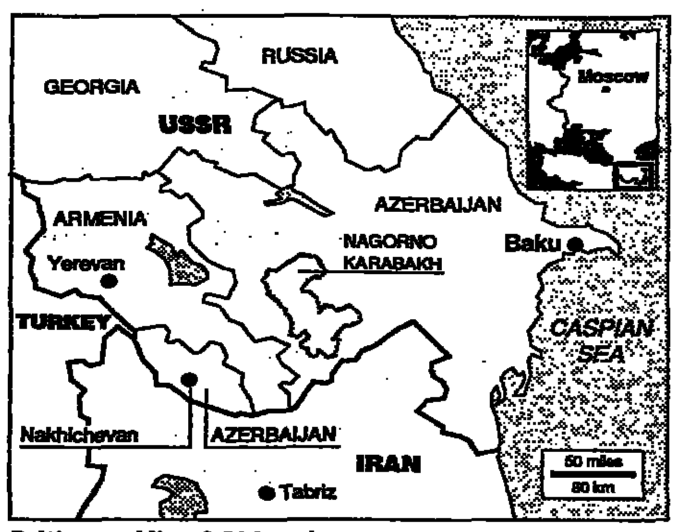
Late last night Tass, the official news agency, said the situation had been brought under control. "The situation in Azerbaijan is still extremely complicated," Tass reported. "Groups of hooligans provoked rioting and violence on the night of January 13 in Baku."

Radio Moscow put the death toll at 30.

The death toll in the confrontation and virtual civil war between Armenia and Azerbaijan, sparked off by the Sumgait race riots, ostensibly over the future of the disputed mountain territory of Nagorno-Karabakh, is now approaching 200.

Karabakh is a mountainous enclave in Azerbaijan with a majority Armenian population who are demanding to leave Azerbaijan and join Armenia.

The riot in the Caspian Sea city of Baku began just as Mr Mikhail Gorbachev, the Soviet president, returned from the Baltic republic of Lithuania after an abortive effort to persuade nationalists there not to seek secession from the Soviet Union. He issued urgent appeals there for nationalists to reduce their demands in order not to endanger the entire reform process in the country.



The Soviet leader immediately despatched top-level teams of government and Communist party officials to Baku and Yerevan, the Armenian capital, in an attempt to restore order. The officials were backed by Interior Ministry troops.

Details of the atrocities in Baku were only emerging gradually yesterday, along with reports of violent incidents in many parts of Azerbaijan. The republic was the scene of border riots over the new year, when nationalist demonstrators tore down the frontier fences with neighbouring Iran.

News of the attacks brought some 300,000 people onto the streets of Yerevan, the Armenian capital, demanding drastic steps to impose law and order and protect Armenian lives. Although Tass said that speakers at the rally appealed for calm, nationalists said there were also calls for armed groups of vigilantes to protect Armenians.

The latest riots apparently began after a mass rally of Azerbaijani nationalists took place on the central Lenin Square, to demand the resignation of the republican government for its failure to impose Azerbaijani control on the Karabakh region.

First reports of the riots said that "provocatory" leaflets were distributed among the 150,000 demonstrators in Lenin Square.

The crowd was told that two Azeris had been attacked by an Armenian with an axe when they demanded his family leave Baku. One had died, and the other was in a serious condition, Radio Moscow reported.

"Calls were made at the rally to drive the Armenians out of the city," the correspondent said. "When the rally ended, the crowd began to disperse. Among the crowd, anti-Armenian slogans were shouted, and then the most terrifying thing of all began – the pogroms.

"The republic is on the boil, hearts are bleeding, and the militia is trying to do everything it can. Serious, serious measures are needed."

Mr Eduard Shakhnazaryan,

Continued on Page 18

Soviets face winter energy crisis, Gorbachev loses argument with Lithuanians, Page 3

US chips project fails for lack of financial support

By **Louise Kehoe** in San Francisco

AN AMBITIOUS collaborative effort to reduce the dependence of the US computer industry on Japanese memory chip suppliers appears to have failed.

Officials of US Memories, a proposed $1bn consortium to make Dynamic Random Access Memory (D-ram) chips, are expected to announce today that they are abandoning their plans after failing to raise sufficient financial support from US computer companies.

D-rams are vital components of all types of computer equipment. About 70 to 80 per cent of the world's $6bn D-ram market is controlled by Japanese manufacturers. Most US chip makers dropped out of the market in the early 1980s in the face of severe foreign competition.

US Memories represented a pioneering effort at collaboration between US chip makers and computer manufacturers to revitalise the US D-ram industry. The venture was announced in June with the backing of the three largest US computer companies – International Business Machines, Digital Equipment and Hewlett-Packard – as well as four leading chip makers – Intel, Advanced Micro Devices, National Semiconductor and LSI Logic.

These companies provided seed capital for US Memories and agreed to make further investments if other companies also participated.

IBM also agreed to license its world-leading D-ram technology to US Memories. The computer group has been the leading proponent of the chip venture.

Mr Sanford Kane, a former senior IBM executive who is president of US Memories, headed the effort to raise $500m from potential customers as well as $500m in debt financing. He asked at least two dozen companies to participate by investing up to $50m each for a stake in the venture in return for a guaranteed supply of memory chips.

In the event, it proved difficult to persuade big US D-ram buyers of the advantages of owning a stake. When Apple Computer, Sun Microsystems and Compaq Computer turned down US Memories, the success of the venture was thrown into doubt.

The impetus behind US Memories was also blunted by changing market conditions. When the venture was announced seven months ago, D-rams were in short supply and prices were high. There was widespread concern that Japanese manufacturers were giving their domestic customers priority.

Now the highly cyclical market is in a nosedive. Mr Mark Giudici, who monitors memory chip prices at Dataquest, the US market research firm, said: "D-ram prices have gone through the floor" in the past few months.

In August, one-megabit D-rams were selling in the US for an average of $14.50. The price now averaged $9 and touched as low as $6.50. Prices for 256K D-rams had fallen from about $3.50 to $2.25 in the same period, he said.

New Korean suppliers, including Samsung, have boosted supplies and are agressively cutting prices, according to industry observers. The re-entry of Siemens of West Germany and Motorola of the US has also calmed fears of Japanese control of the market.

Also easing concerns about future supplies was the decision by IBM to license its technology to Micron Technology, one of the three US D-ram manufacturers, as well as to US Memories.

A worry for potential backers of US Memories has been the failure of Congress to enact legislation loosening anti-trust laws on collaborative manufacturing. Although Mr Kane has maintained that the US Memories plan did not violate anti-trust laws, he acknowledged that new legislation might have encouraged some companies to join.

Ultimately, however, US Memories failed in its appeals to US computer companies because of the high costs and high risks associated with the venture, industry executives said.

ICL, the leading UK computer manufacturer, this week launches its most important range of products since its Series 39 mainframes in 1985.

The company says its new mid-range computers, to be unveiled in London on Thursday, "will spearhead ICL's future drive in European and other markets."

They may strengthen STC, ICL's parent company, in its search for a corporate partner. Last week's rescue of Nixdorf by Siemens has left ICL dangerously exposed in the European computer market. Page 8

E Germany abandons 'middle way'

By **David Goodhart** in East Berlin

AN ECONOMIC reform programme which could transform the East German economy into something very like its West German counterpart was spelled out by Professor Christa Luft, the country's Economic Minister, at the weekend.

East Germany is now ready to begin "the transition to an efficient market economy," she told a meeting of business leaders from both German states in East Berlin. She abandoned her previous emphasis on finding a middle way between capitalism and central planning and made no reference to the socialist market economy.

The 30 West German business leaders who gathered on Saturday at the Institute of Management Training, previously Institute of Socialist Economic Management, to meet 35 of their East German counterparts and listen to Professor Luft (a former teacher at the Institute) were impressed by the new language.

Mr Carl Hahn, Volkswagen chief executive, said: "This marks the end of the middle way."

The most immediate of Professor Luft's reforms is a three stage reduction in the OM51bn ($30.5bn at the official rate of exchange) paid in subsidies to business every year. The first step, to be formally announced today, involves only an OM1.2bn reduction in subsidies on children's clothes and shoes and items such as flowers. But Professor Luft said that the next two steps would be much bigger.

She also announced the removal of restrictions on private ownership. Conventional state ownership would be insisted on only in the energy sector, heavy industry and transport, and it is hoped that a private sector of small and medium-sized firms will quickly become established.

The minister will be meeting her West German counterpart, Mr Helmut Haussmann, at the beginning of February to discuss co-operation between smaller businesses in the two Germanys.

She also proposed almost complete independence for the giant Kombinate conglomerates, new forms of company management – modelled on the West German two-tier boards – more independent company financing, a new corporate tax law, and freedom from the foreign trade organisations by the end of the year.

Professor Luft described a faster three-stage move towards currency convertibility, which should be completed within five years, and said she could envisage a pegging of the Ostmark to the D-Mark.

She stressed that the de-politicisation of finance both at state and company level was essential and required a new banking system. The head of the East German central bank ceased being a member of the Government in November.

Mr Hans Modrow, the East German leader, after talks yesterday with Mr Edzard Reuter, chief executive of Daimler-Benz, also spoke out for the first time in favour of establishing a social market economy.

GM in joint venture to produce cars and engines in Hungary

By **Kevin Done**, Motor Industry Correspondent, in London

GENERAL MOTORS of the US is to form a joint venture in Hungary to build engines and assemble cars in one of the most ambitious inward investments undertaken by a western company in Hungary.

The world's largest carmaker signed a protocol at the weekend with Raba, the Hungarian state-owned maker of trucks, diesel engines, tractors and axles, to form a joint venture in which the US group will own 67 per cent of the equity and will appoint the management.

The project will involve a total investment of about $150m, of which GM will account for more than $100m. GM, which has a long-established business relationship with Raba and the Hungarian automotive industry, said no subsidies were being provided by the US Government but the issue was under consideration.

Western vehicle makers are moving quickly to establish a presence in eastern Europe in response to the region's sweeping reforms in recent months.

Fiat of Italy has signed a preliminary agreement with the Soviet Union to enter a joint venture for small car production, Suzuki of Japan is to produce cars in Hungary and Daihatsu of Japan is hoping to produce small cars in Poland.

Volkswagen, which began shipping VW engines built under licence in East Germany to the Federal Republic last year, has formed a joint venture recently which is expected to lead to the production of small cars or light commercial vehicles in East Germany.

Mr Robert Eaton, president of GM Europe, who signed the protocol with Raba at the weekend, said GM had been encouraged by recent political developments in eastern Europe and by the shift to freer market policies, especially in Hungary.

"As these markets continue to open up, investing in plants there is becoming a more attractive business proposition," he said. The strategic partnership with Raba would provide GM with better access to the growing car market in Hungary and elsewhere in eastern Europe.

The GM agreement with Raba is expected to lead to the assembly of Opel Kadett/Vauxhall Astra cars and 1.6 litre Opel engines at a plant in western Hungary starting in 1992.

The plant will be at Szentgotthard, a mile from the Hungarian border with Austria and 100 miles from GM's engine and transmissions plant at Aspern, near Vienna. It will be capable of producing up to 200,000 engines a year.

The Hungarian plant will have a single shift capacity to assemble 15,000 cars a year, implying a total annual output of 30,000 cars.

The venture will create about 880 jobs in Hungary. Raba, which has about 15,500 employees, will provide the facilities and the land and GM will supply the machinery, equipment and technology.

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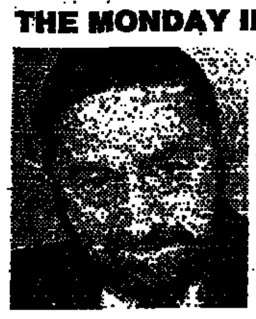
THE MONDAY INTERVIEW



Paul Reichmann, who heads Olympia & York, the Canadian property company now developing Canary Wharf in London's Docklands, says the project could shift the geographical and commercial balance of the UK capital eastwards
Page 36

East Germany's leaders face threat of strikes

By Leslie Colitt in East Berlin

EAST GERMANY'S Communist-led Government, under growing pressure from the opposition and party members to speed up democratisation, faces a threat of widespread industrial strikes.

Thousands of workers in the Fortschritt agricultural machinery plant in Gera said they would strike if today's round-table talks between the Government and the opposition collapsed.

Preparations for strikes in other factories in Gera and Karl Marx Stadt were also underway. The opposition had called for Mr Hans Modrow, the Prime Minister, to report to it today on the disbanding of the security police.

Mr Modrow, however, rejected the demand, noting that he would first take part in the talks next Monday.

The Prime Minister, under intense opposition pressure, was forced to abandon his plan last Friday to resurrect part of the disbanded National Security Agency before free elections next May.

He noted after a weekend cabinet meeting that a revised Government report on the dismemberment of the security forces would be presented to the round table today by the Interior Minister.

Mr Modrow warned that strikes and the use of force would only endanger the process of "renewal".

Opposition to the Government from within the Communist Party erupted yesterday in Karl Marx Stadt, Magdeburg and Suhl where tens of thousands of party members demonstrated for German unity and called for the re-privatisation of state companies. In Plauen, tens of thousands of people demonstrated on Saturday for unification and against Communist rule.

A rally on East Berlin's Alexanderplatz attended by Mr Walter Momper, mayor of West Berlin, was transformed by East German participants into an anti-party demonstration.

In a concession to growing criticism of its virtual monopoly of the media, the party said it was ready to relinquish ownership of 11 out of its 16 publishing houses.

It would also turn over to the state the lucrative Genex "gift service" under which Westerners were able to buy scarce consumer goods, including cars, for their East German relatives. Profits from Genex were used to support Third World liberation movements, the East German news agency ADN reported.

East Germany's Social Democrats (SDP), at a congress in East Berlin, voted to rename themselves the Social Democratic Party of Germany (SPD) like their West German namesake and the original party. The name-change was also important as the East SPD, the most influential opposition party, may now lay claim to the physical assets which were taken over by the Communist Party in the forced merger with the SPD in 1946.

Delegates said the unification of the economies and currencies of the two Germanys was a priority and supported the unification of Germany providing it was approved by its neighbours.

Hans-Jochen Vogel, leader of the West German Social Democrats, addresses his East German counterparts yesterday

Joint-venture hopes for state monopolies

By Leslie Colitt

EAST Germany's giant state-owned monopolies will be transformed into joint stock companies with Eastern and Western shareholders if Mr Friedrich Wokurka, the Managing Director of Robotron, the country's largest electronics company, has anything to say about it.

Mr Wokurka, an expansive 50-year-old with the build of a wrestler, is exploding with ideas about Robotron's capitalist future. "If international capital markets open up to the GDR then it will have to equally open up to them," Mr Wokurka told the Financial Times. "There can be no half-measures."

He has visions of Dresden-based Robotron becoming the core of a large new media concern in co-operation with Western companies.

" I will turn Berlin into a media centre," he said with typical lack of modesty. Robotron had a large sales network and publishing partners who needed to be told "where the money is".

Mr Wokurka, a party member, like nearly all managers of state enterprises, wants to publish newspapers (mainly non-Communist) and books, and move into television and radio (with commercials) as well as open video shops all over East Germany.

Robotron has just bought a printing plant and next year plans to set up a regional television studio in Dresden using the documentary studios of the DEFA film company.

Robotron is the third largest of the 144 Kombinate – vertically integrated companies – which control (some say strangle) East German industry. Mr Wokurka has been quick off the mark to establish links with West German companies, signing a joint-venture agreement with the Piltz group to make compact discs in Dresden and with Data-Print of West Berlin for a software joint venture.

Mr Wokurka's enthusiasm for the market economy was not all that new, he insisted. But until recently it was something he could voice only in the privacy of his home.

Like a number of other Kombinate directors, he saw red when reading articles by East German economists who advocate a "third way" for the country – between socialism and capitalism.

Mr Wokurka said it would take about three years until the transition to a market economy was completed in East Germany. He admitted, however, being more optimistic than others on this score.

The Kombinate would then resemble state companies in the West. Within five years they would be joint stock companies, selling shares to their employees and investors at home and abroad, he said.

Mr Wokurka is introducing his senior management to the virtues of market economics with the help of Deutsche Bank, which last week conducted a two-day seminar on marketing and public relations.

The two Germanys talk business

David Goodhart in East Berlin reports on a meeting of minds between industrialists

MR TYLL NECKER, president of the West German Industry Federation, and several of his federation's most important members spent a most heart-warming Saturday being told by their East German counterparts what an admirable model the West German social market economy is.

Indeed only two themes briefly soured the polite, consensual, atmosphere. One was the East German claim that West Germany should compensate East Germany for the higher price it paid in reparations after the Second World War. The other was the West German reproach that the 49 per cent limit on the foreign share in joint ventures was a half-hearted gesture if the new Government really does intend to open up its economy.

But chatting outside the formal meetings, most of the West German businessman claimed that too much emphasis was being placed on joint ventures and that by the time serious business is done between the two states (if they still exist) 49 per cent will have long ceased to be an issue.

"I am more interested in the question of who permits the joint ventures and the transparency of my business partner," said Mr Heinz Schimmelbusch, chief executive of Metalgesellschaft, which has had extensive business relations with East Germany for years.

How long before new projects – joint ventures or otherwise – would start to yield real, extractable, profits for West German companies? The answer, when not dodged, was a minimum of five years. Mr Carl Hahn, boss of Volkswagen, said that projects were currently at the pre-feasibility stage; the feasibility stage might start next year, with real businesses emerging in 1993, perhaps starting to produce a profit in 1996.

Most inter-German business will continue to be ordinary trading relations or co-operation agreements avoiding the issue of ownership. But some new joint ventures did emerge during the day. Mr Heinz Ruhnau, chief executive of Lufthansa, revealed, for example, that he has established a joint venture with the East German airline, Interflug, for the production of flight-training simulators.

Mr Ruhnau also admonished the East German politicians for lack of self-confidence and said they could soon be achieving 10 per cent growth a year. East German businessmen at the meeting suffered from no lack of confidence and seemed steps ahead of the politicians, according to one West German businessman

His comment seemed borne out by the boss of an East German chemical company who called for the speedier introduction of a capital market, and by Mr Friedrich Wokurka, boss of Robotron, the East German electronics group, who said that he would be quite happy to allow foreigners a majority stake in a joint venture.

Most of the West Germans were impressed by Professor Christa Luft, the radical Economics Minister, but one observed sourly that whenever she was criticised she would say that the problem was already being addressed. "They are under tremendous pressure from the streets and there is growing chaos in the workplaces, their strategy is to say radical things and hold out until the election," he said.

Mr Necker however was genuinely impressed by Prof Luft and especially by her recognition that the easiest way to keep people in the country is to give them a proper ownership stake in it. He was also aware of the danger that West German big business was possibly being used to bolster the existing Government's election chances. For that reason he organised meetings yesterday with several opposition groups.

About-turn leaves Romania's Front in disarray

An army takeover to guarantee stability cannot be ruled out, reports **Judy Dempsey**

THE credibility of Romania's National Salvation Front suffered a serious setback at the weekend following a series of demonstrations demanding the banning of the Communist Party. The possibility emerged that the army might be called on to take power if the country slips further into instability.

The demonstrations, although small, frightened the fragile Front so much that late on Friday night Mr Ion Iliescu, president of the Front and a dissident communist, met all the demands of the crowd.

These included a referendum on the death penalty, which had been abolished after the execution of Nicolae and Elena Ceausescu, the banning of the Communist Party and establishment of a committee to deal with the people's demands.

But no sooner had these concessions been made than the Front, which remains divided and dominated by the Communists, reneged on its decision to ban the Communist Party.

On Saturday, during a live television discussion largely dominated by Mr Iliescu, he called for a referendum to be held on the future legality of the Communist Party.

The shift is clearly a response to pressure not only from within the Front but also from the large party apparatus which continues to control the ministries, institutes, administration and the enterprises.

Having banned the party on Friday night but now bowing to the pressure from the apparatus, the Front has lost even more credibility.

The euphoria which swept the country following the toppling of the Ceausescu regime has now given way to popular anger with the Communist Party, one of the most Stalinist before the Ceausescus came to power in 1965.

Clearly the Front has misjudged the mood of the people, who also criticise the delay in bringing senior Securitate police and close associates of the Ceausescus to justice.

In an effort to restore some of its credibility, the Front yesterday blamed "manipulators" and "provocateurs" for the way in which Friday's night's demonstrations turned from a day of national mourning for those killed during the revolution to a political campaign to discredit the organisation.

Whatever truth there is in this, the Front's haste in meeting the demands exposed its vulnerability as a confident leadership capable of rebuilding the country's shattered political and social institutions.

In addition, the media, most notably Romania Libera, the daily whose slogan is "independent of opinion, information and reporting", at the weekend started what amounted to a smear campaign against Mr Dumtriu Mazilu, the Vice President of the Front and a former head of the Securitate officers' academy. In 1987 Mr Mazilu criticised the Ceausescu regime by attempting to present to the United Nations a damning report on Romania's dismal human rights record.

Mr Mazilu, who yesterday blamed the Securitate and the bureaucracy for the demonstrations, may be forced to resign. But the intensity of the campaign against him has only fuelled suspicion that many people in the Front are tainted by their communist past.

Moreover, sections of the population, disoriented after decades of totalitarianism and depressed about Romania's political direction and stability, has welcomed the installation of the army in Timisoara, where the anti-Ceausescu demonstrations began. There, the army will hold power until a new and more credible Front is elected.

Public pressure has forced the Front in Iasi, an old university city in eastern Romania, to resign. And in Brasov, scene of massive workers' discontent in November 1987, where the Front has been run by General Ion Flora, there were demonstrations calling for a new body which genuinely represented the people.

The consensus is that the Front remains unwilling openly to declare its political stance, despite the fact that it will stand in the elections later this year, and that it is not strong enough to push aside the communist apparatus. Under a system in which all the experts were, and continue to be, party members, it will seem impossible to run a country without some of these people.

In a development unlikely to be welcomed by the Front, the National Peasants Party has said the Communist Party should not be banned.

"Let them face the electorate," said Mr Valentin Gabrielsecu, the spokesman of the NPP. "The party banned us in 1947. We will not resort to the old tactics."

AGAINST a background of growing political instability, Romania's newly revived National Peasants Party – which was outlawed by the communists for over 40 years – will tomorrow hold its first formal talks with the Front for National Salvation Front, writes Judy Dempsey in Bucharest.

The five-man NPP delegation, which will be led by Mr Corneliu Coposu, will have one main item on the agenda: the date of the country's first free elections for more than 40 years.

The NPP and the National Liberal Party, led by Mr Radu Cimpeanu, the two largest political parties during the inter-war period, yesterday met to decide on a common platform before holding talks with the Front.

The NPP want the elections, originally scheduled by the Front for next April, to be postponed until September. "We have no organisation, no newspaper, no xeroxing machines, no typewriters to run our campaign. We need time to organise," said Mr Valentine Gabrielescu, the spokesman for the NPP.

The NPP, which gained 70 per cent of the vote in November 1946 polls, was outlawed the following year and Mr Iuliu Maniu, its leader, executed.

Meanwhile Mr Hans Dietrich Genscher, the West German Foreign Minister, arrives today in Romania for a one-day visit. He is expected to announce an aid package and seek reassurance that the 180,000 ethnic German minority will enjoy their cultural and ethnic rights.

Corporate taxation escapes EC's single market net

David Waller explains why differing systems of direct taxes could prove the main economic distortion after 1992

CORPORATE decisions on where to locate a factory or head office are now influenced to a significant degree by tax considerations. It stands to reason that as technical, physical and fiscal barriers within the European Community tumble down around the totemic date of 1992, the distorting effects of tax on company decisions will become more pronounced.

At various stages the European Commission has tried to grapple with the complex issue of tax harmonisation. A draft directive, suggesting the rationalisation of tax rates throughout the EC, was issued in 1975. This was never adopted and it took another 13 years before a new draft directive emerged – this time addressing the differing asset bases on which taxes are charged. As yet, this has come to nothing.

The Commission's tax brains are concentrating on the reform of indirect taxes, such as VAT, with a flurry of interest in the introduction of a common withholding tax on dividends throughout the EC. *Meanwhile, direct taxation* remains unreformed. Significant differences appear in each of the three following areas:

● Tax rates. When the Commission first contemplated bringing rates in line with each other in 1975, it thought that all countries should charge a maximum of between 45 and 55 per cent of profits. Since then, tax rates have fallen, across the board, but there is still no real harmony. At one end, there is the UK, charging a modest 35 per cent, at the other, West Germany, which has been charging 56 per cent (though this has fallen to 50 per cent from January 1990).

● The tax base. Tax authorities generally allow companies to set off a proportion of the value of their assets against profits each year to cover depreciation. Whether the allowable depreciation rate coincides with the real depreciation of the value of the asset varies from country to country.

Many governments use accelerated depreciation allowances as a way of subsidising *capital investment. However,* precisely which category of assets comes in for this treatment, and at what rates, varies enormously from one jurisdiction to another.

● The tax system. Europe is divided between those countries which follow a classical system, those which embrace a so-called imputation system, and those which adopt a mixture of the two.

Under a classical system, such as that of the Netherlands, Luxembourg and the US, dividends paid to shareholders are subject to tax without any credit against corporate tax. In other words, corporate profits are taxed twice.

Under an imputation system, such as is to be found in the UK, corporate tax is charged at one rate, regardless of the destination of the profits. A recent report* from the Institute of Fiscal Studies (IFS) sums it up as follows: if profits are distributed via dividends, shareholders are given a tax credit

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which reduces their liability to personal tax. Thus, part of the corporation tax is in effect treated as an advance payment of personal tax.

Under the so-called "split-rate" system, as is to be found in West Germany, distributed profits attract a lower rate of corporation tax than undistributed ones.

As a measure of the distortions that prevail, the IFS calculates that an Italian company investing in West Germany has to generate a pre-tax return of 10.3 per cent in order to pay its shareholders a post-tax return of 5 per cent. By contrast, an Italian company venturing into Ireland need only muster a 4.53 per cent pre-tax return to pay out 5 per cent after tax. The figures apply more generally: Ireland uses its tax regime to attract inwards investment, whilst West Germany appears to be discouraging it.

Over 75 per cent of 173 big UK companies polled by the IFS said they were influenced always or usually by tax when deciding where to locate overseas.

A recent paper by Mr Alberto Giovannini of the Graduate School of Business, Columbia University, highlights some of the ways in which multinational companies can structure themselves in order to avoid tax. This is seen particularly with the withholding taxes levied by many European governments on the payment of dividends from a subsidiary company to its parent in another country. Some examples are:

● Conduit companies. If a French company sets up a subsidiary in Italy, dividends paid from the Italian company to its parent would be subject to a 15 per cent withholding tax under the terms of the bilateral tax treaties between the two countries.

However, if one sets up a Dutch company between the French parent and the Italian subsidiary, the parent would get significantly more money out of Italy: there is no withholding tax on dividend payments out of Italy to the Netherlands, and only a 5 per cent charge on dividends leaving the Netherlands for France.

● Foreign base companies. As Mr Giovannini puts it: "Differences in corporate tax rates provide a powerful incentive to locate companies in low-tax countries. Such incentives exist because most European countries recognise foreign income only at the time it is paid to the parent company, not at the time it is produced".

The strategy is to accumulate lowly-taxed income, perhaps by setting up a so-called "thin-capitalisation" company in the Netherlands which will be able make use of both deferrals and withholding tax advantages.

The existence of these and other complex opportunities for tax arbitrage means that there are tax incentives for companies to locate in one country rather than another, and some may be at a competitive advantage simply because of tax regimes in the countries in which they are located.

As said earlier, these distortions will be exacerbated as other distortions drop away with the onset of 1992. Yet there is no political will – on the part of the Commission or the member states – to remedy this disparity. As Mr Malcolm Penney, a tax partner at Ernst and Young puts it: "This is one aspect of 1992 that is unlikely to take place before the end of the century".

**Corporate Tax Harmonisation and Economic Efficiency, by Michael Devereux and Mark Pearson. The Institute of Fiscal Studies, 180/182 Tottenham Court Rd, London W1P 9LE. £10.*

Accountants cited in Keating's defence

By Lionel Barber in Washington

MR CHARLES KEATING, the owner of Lincoln Savings and Loan, whose collapse is likely to cost taxpayers more than $2bn, yesterday cited the performances of major accounting firms in his defence against charges of recklessness and impropriety.

Mr Keating said his accountants – which at the time included Arthur Young – gave Lincoln a clean bill of health, underlining his argument that Federal regulators had wrongly closed down a highly profitable business.

Appearing on NBC television, Mr Keating sought to give his side of a scandal which has already ensnared five US Senators and spurred investigations by the Federal Bureau of Investigation (FBI), Internal Revenue Service, the Securities and Exchange Commission and two Congressional committees.

Mr Keating, an Arizona land developer, bought Lincoln, a California savings and loan, in 1984.

Like many other entrepreneurs turned thrift executives, he exploited the federally guaranteed deposit insurance to divert S&L funds into highly risky but potentially profitable real estate and junk bonds.

By March 1986, Federal regulators sought to take over Lincoln on the grounds of bad loans and questionable business accounting practices, but they were thwarted by the intervention of five Senators.

Mr Keating's case is that there was no need to close Lincoln because "we were operating profitably." He claimed pre-tax profits between 1985 and 1987 were $100m, $80m and $60m respectively. "There is no loss attributable to Lincoln," he said.

The SEC has implicitly criticised Arthur Young's involvement with Lincoln and its parent, American Continental.

One witness to the House Banking committee suggested that the accountants had accepted inflated valuations of assets such as real estate, and therefore distorted the true financial state of the company.

Mr Keating confirmed during his interview that around 10 members of his family received salaries and remuneration of more than $34m over the last four to five years.

But he said the money came from the sale of stocks as well as salary, and related to his other financial vehicle, American Continental.

"I never received a nickel in salary," he said, denying too that he had funnelled assets in foreign bank accounts.

Mr Keating forecast that the intervention of Federal regulators and the closure of almost 300 S&Ls would cost taxpayers around $500bn.

Monarch in exile hopes to return to Romania

By Tim Burt

KING MICHAEL, the exiled Romanian monarch, yesterday told representatives of the two largest opposition political parties he wanted to return to Bucharest as head of state.

The king, who met delegates from the National Peasants and Liberal parties, said a constitutional monarchy could offer Romania "things that certainly could not be provided by a republican government with a short-term elected president."

The 69-year-old deposed monarch, who lives in Versoix Switzerland, told the Financial Times that both parties wanted him back on the throne which he lost in 1948.

The king, however, discounted an immediate return following the downfall of the Ceasescu regime last month. "The country is still in turmoil following the upheavals of the last three weeks. Things must calm down and some semblance of collective thinking emerge as the political parties take shape again."

He said the Royal Family would return if requested by a democratically elected government following free elections.

"Only a monarchy could provide a national focal point, representative and unifying figurehead as well as a sense of continuity.

The king called on western governments to back up emergency aid with long-term investment and economic agreements such as the foreign trade protocol signed with Hungary on Thursday, which provides a framework for direct exchanges between factories in the two countries.

"In the long term foreign trade and investment will be crucial though not the type of trade we have seen in the past decades where any surplus was immediatly exported at the expense of the Romanian population."

The king said Romania was made to pay off its foreign debt at an "intolerable price" for the people.

"As with other Eastern European countries I have no doubt we will be seeing moves away fom the centrally planned economy to a more open market economy. This will give western companies considerable opportunity to invest in Romania to mutual benefit."

The king said it was natural that Romania should look to the west and to the EC to help its reconstruction.

He does not believe, however, that economic and political reconstruction can take place under the present provisional govenrment of the National Salvation Front led by Mr Ion Iliescu.

"Iliescu is compromised by having worked with Ceasescu, who trampled on the people for 40 years until they could hardly consider their very souls as their own," he said.

"Such scars will take a long time to heal and will dominate thinking and attitudes in the country for many years to come."

King Michael called for a restoration of democracy but predicted it would be difficult to hold free elections by the April deadline set by the National Salvation Front.

"The changes in Romania certanly are the beginning of a long-term revolution. One might be able to topple a one family regime overnight but replacing it takes much longer. The people are saying: "We have freedom but we don't know what to do with it."

Bulgarians call for end to supremacy of communists

OVER 50,000 Bulgarians demonstrated in Sofia's central cathedral square yesterday for more radical democratic reforms from the communist leadership and a fair deal in elections later this year, AP reports from Sofia.

Leaders of the pro-democracy opposition Union of Democratic Forces (UDF) read out a list of demands to the Government that included two-stage legislative elections in May and November, depoliticisation of Bulgarians' everyday life and the total removal from the constitution of an article guaranteeing communist supremacy.

Braving freezing temperatures, the demonstrators chanted "Communists resign, resign," and waved banners at the UDF's fourth major rally in Sofia since hard-line communist leader Todor Zhivkov was ousted on November 10.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1; Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022. Financial Times (Scandinavia), Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

Soviet Union facing midwinter energy crisis

By Quentin Peel in Moscow

SEVERAL oil wells in the Soviet Union's north Siberian fields have been shut down for lack of maintenance because of a critical shortage of aviation fuel in the region.

At the same time, an electricity crisis in southern Georgia, already the scene of almost continuous nationalist demonstrations, has forced 140 state enterprises to close, and sparked wild rumours that the republic is the subject of a deliberate blockade.

These reports from opposite ends of the Soviet Union suggest that the world's largest energy producer is already facing a potentially explosive energy crisis – in the depths of a bitter winter.

Aviation fuel has been unavailable for the past two weeks at a key West Siberian airfield used to supply oil workers to the north Siberian fields, and already some oil wells have been been shut down for lack of maintenance in temperatures of minus 50 degrees centigrade.

The Siberian fuel crisis could have disastrous knock-on effects because of the resulting drop in oil and gas production, if the example of Noyabrsk is symptomatic.

It was revealed yesterday in a panic-stricken letter to the newspaper Rabochaya Tribuna from Mr V. Savyenko, described as a senior air transport despatcher in the town, in the far north of the Tyumen region.

"A very tense, if not catastrophic, situation has arisen with the transportation of oil workers," he said. All flights had been cancelled for the past two weeks because of lack of fuel.

"The northern oil deposits are under threat. The temperature outside is minus 50 degrees centigrade, and we cannot leave the equipment without supervision for a moment.

"There are not enough people to do so. Several oil wells are already frozen over."

He bitterly criticised Gossnab – the state supply committee – and the state oil industry, for their failure to answer emergency telegrams, insisting instead that it was up to the Perm oil refinery to supply them.

"There they have their own problems with production and transportation."

In Georgia the crisis is different, although another manifestation of the same dislocation spreading throughout the Soviet economy.

Both Radio Moscow's Interfax news service, and Komsomolskaya Pravda newspaper reported over the weekend that 140 enterprises in Tbilisi, the Georgian capital, had been forced to close because of the acute energy shortage. The Communist Party leadership had ordered that residential areas be supplied as first priority.

The entire Caucasus region has suffered electricity shortages since the sudden closure of the Armenian nuclear power station, to answer local fears about its danger in the event of another earthquake.

That problem has been compounded in Georgia because the Cancasioni power transmission line from the rest of the Soviet Union to the north went down at the end of December, apparently because of icing in the Caucasus mountains. That has cut all power supply from the north.

At the same time, the Chirkey reservoir producing hydro-electric power is close to exhaustion, and other thermal power stations in the republic cannot increase their output because of ongoing repairs, the reports said.

"Rumours are born in the queues formed for candles and petrol," Komsomolskaya Pravda reported yesterday. "People are talking about an energy blockade.

"When lights went out in the windows, long lines were formed, and people started to believe these rumours."

Quite apart from the energy crisis, nationalist demonstrators are blockading the Georgian government offices every day demanding a delegation from the Communist Party politburo in Moscow to discuss their demands for autonomy and independence, and Tbilisi has been brought to a standstill by a transport strike with the same aim.

Poland hopes for Japanese help

JAPANESE Prime Minister Toshiki Kaifu yesterday met Polish Prime Minister Tadeusz Mazowiecki at the start of a two-day visit that the Solidarity-led government hopes will lead to greater Japanese support for Poland's economic reform plan, AP reports from Warsaw.

Mr Kaifu was met upon arrival at Warsaw's Okecie airport by Mr Mazowiecki and other leading cabinet members.

The Japanese leader arrived from Rome on the seventh day of a 10-day tour of Europe which will take him to seven countries.

The visit comes as Poland is actively seeking financial and technical support from developed countries to implement a radical economic reform plan aimed to develop a market-oriented economic system in Poland.

Economic powerhouses like West Germany and the United States have led the way in pledging aid to the newly elected Solidarity-led government, while Japan has remained cautious in its approach.

"The Japanese always showed interest in our market, but financial cooperation was always limited. They were skeptical in the past, but this visit may be the beginning of a change," said a senior Polish Finance Ministry official, who requested anonymity.

But the official said the $150m that Japan already has pledged to a stabilisation fund to support the transformation of the zloty into a convertible currency was a promising sign.

The aid is in the form of a long-term credit at a preferential rate of 2.9 per cent interest.

"It's an important signal," the Finance Minsitry official said in reference to to the stabilisation fund assistance. "The Japanese are beginning to show some flexibility," he said.

Poland is hoping for Japanese support at Paris Club negotiations for Warsaw's request for restructuring its $38bn debt. Poland owes $1.3bn to Japan.

Japanese Prime Minister Toshiki Kaifu, on a visit to Warsaw, yesterday meets Polish Prime Minister Tadeusz Mazowiecki

In addition to assistance for the stabilisation fund, Tokyo has pledged to bring several hundred Poles to Japan for training, particularly in the banking field and quality control sector.

Poland is also hoping to establish joint ventures with Japan. A list of about 10 potential projects is to be presented to the Japanese during the visit, but no agreements are expected to be signed.

The two sides are also expected to discuss the creation of an investment fund to guarantee Japanese investments in Poland, the Finance Ministry official said.

A Polish Foreign Ministry official, who also declined to be identified, said that the Japanese government was ready to back up to $350m of investments. Poland will also be seeking to improve trade relations with Japan which are at a fairly low level.

Talks on East European bank details begin today

By Ian Davidson in Paris

NEGOTIATIONS on the establishment of a multilateral European Bank for Reconstruction and Development, to help the economic recovery of Eastern Europe, start today in Paris, at a two-day meeting of senior officials from 34 countries from east and west.

Key issues facing the negotiators will include the allocation of shares in the new EBRD to participating governments and institutions; the size of the capital of the bank and the proportion which should be paid up; the definition of the bank's objectives and lending policies; and the choice of site for the location of the bank.

In structure, the bank is likely to resemble existing multinational regional development banks, such as the Asian Development Bank or the African Development Bank.

The dramatic innovation of the new body is that it will be the first institution specifically designed to muster western economic help for eastern Europe in the wake of the collapse of their communist regimes, and the first to be jointly owned by western and eastern governments.

Participants at today's negotiations are expected to include the 12 European Community countries, plus the European Commission and the European Investment Bank (EIB); the six west European countries which belong to the European Free Trade Association (Efta); the Soviet Union and its six east European partners in Comecon, plus Yugoslavia; five western industrialised countries from outside Europe, including the US, Japan, Canada, Australia and New Zealand; and three Mediterranean countries – Turkey, Cyprus and Malta.

Senior western officials stressed that the contributing countries want to avoid the mistakes of the 1970s when commercial banks in the west lent billions of dollars to east European countries such as Poland without any resulting improvement in the east European economies. Britain and several other western nations believe that the east European development bank should begin operating with adequate capital before deciding on a final sum in the light of experience.

Since the bank is an EC initiative, proposed by France and endorsed in principle at last month's 12-nation European summit in Strasbourg, the Community delegates are expected to insist that the member states and the Community institutions between them should hold a majority of the shares.

Preliminary negotiations among the 12 last week in Brussels suggested that the Soviet Union might be asked to take up 8.5 per cent of the capital of the bank, with a further 6.5 per cent going to its east European partners.

The US and Japan, and the four big European Community members (West Germany, France, Italy and the UK), would also each contribute 8.5 per cent.

Smaller shares would be allocated to the European Commission, to the EIB, and to the other member states, so as to bring the EC total slightly above 50 per cent.

The Community is divided on the capitalisation of the bank, with France advocating Ecu15bn ($17bn), Britain and the Netherlands preferring Ecu5bn, and the other member states favouring Ecu10bn. In practice these divergences could be offset by opposite positions on the proportion of the capital which should be paid up, with France suggesting 20 per cent, and some others favouring 30 per cent.

Debate on the lending policies of the new bank are expected to focus on whether it should concentrate exclusively on supporting private-sector projects in Eastern Europe, as favoured by Britain and some other Western countries, or whether it could also lend to public sector enterprises.

Competing candidates for the site of the new bank include Strasbourg, Vienna and Copenhagen.

France will press Strasbourg's claim particularly strongly, not least because its position as one of the "capital cities" of the Community is being threatened by growing pressure within the European Parliament to move its sessions to Brussels.

At the same time, it is recovering some of its historic role as a Europe-wide centre, with the revitalisation of the Council of Europe, which is expected to play an important role in sustaining the pressure for democracy and human rights in eastern Europe, and in providing a parliamentary meeting ground between east and west.

The Soviet Union, Hungary, Poland and Yugoslavia recently acquired Special Guest status in the Council, which enables their parliamentarians to attend and speak in debates. Czechoslovakia and Bulgaria have applied for special guest status, and Hungary has applied for full membership.

Gorbachev loses his argument with the Lithuanians

By Quentin Peel

PRESIDENT Mikhail Gorbachev flew back to Moscow on Saturday after apparently failing to convince the leaders of the rebellious Lithuanian republic not to break away from his ruling Communist Party.

Three days of bruising encounters with farm and factory workers, crowds in the streets, intellectuals and local officials of both the Communist Party and the republican government, left all sides if anything more entrenched in their previous positions.

The Lithuanian Communist Party leadership is still determined to break away from the Moscow party. The minority of loyalists to the union, who have established their own rump central committee, are equally adamant that such a move is treachery.

And the overwhelming majority of the people in the streets – whether deliberate demonstrators, or just crowds out to see Mr Gorbachev – showed that their sympathies are with outright independence.

Mr Vytautas Landsbergis, the music professor who heads Sajudis, the moderate Lithuanian national movement, said that if anything, Mr Gorbachev's visit had boosted patriotic feeling.

It certainly brought the biggest crowd onto the streets to demand outright independence – possibly 200,000 people – since Sajudis was founded in 1988.

Yet the key question for Mr Gorbachev may yet prove to be not whether he could sway the Lithuanians with the sheer force of his personality and rhetoric, but whether he can persuade native Russians, and the majority in his own central committee, to accept the inevitability of the process, and not to retaliate with counter-productive sanctions.

Throughout his entire visit, the Soviet leader had his eye on two separate audiences (and indeed a third, if you include the international community.) One was the Lithuanian people, and in particular the local Communist Party.

Nothing he said could be construed as giving them encouragement to quit the union, not even the promise of a law spelling out the precise process of secession. All the indications are that such a law would be highly restrictive of such a move, not liberal, by insisting that all the union republics have a say in the process, possibly through a national referendum.

Again and again, he hammered home all the disadvantages, above all economic – chiefly the questions of energy supply and infrastructure links, but also ominous hints about Soviet security, and what would have to be done to compensate citizens who did not want to go along with an independent Lithuanian state.

Behind it all was another threat: that in seeking to break away, whether from the Communist Party of the Soviet Union (CPSU) or the USSR itself, Lithuania might cause a backlash against the very process of perestroika.

When he saw more demonstrators demanding "freedom and independence", he retorted that the demonstration showed that freedom had indeed come to Lithuania – and it had come thanks to perestroika.

"Believe me, it will take root here and will grow deeper only if the perestroika process continues, if perestroika itself takes deep roots all over the union."

In lecturing so sharply to the Lithuanians, he may well have alienated some of the sympathy he had there. Has he done enough to show his own home audience back in the Russian federation that he cannot be personally blamed for a Lithuanian secession?

On the positive side, he argued consistently and extremely forcefully, using both anger and reason.

On the negative side, he lost the argument. Above all in an exchange with the articulate Lithuanian intelligentsia, he showed he could be outsmarted. Soviet leaders have never before been shown in such a light.

Now he has to face his own central committee again, when the plenary meeting on Lithuania reconvenes at the end of the month. He is talking about finding a reasonable compromise. The danger is that his own party may be in no mood for a compromise.

All he has going for him is the familiar, and still powerful threat: that without Gorbachev, the Communist Party of the Soviet Union is on a hiding to nothing.

Romania takes food shopping list to EC

By David Buchan and Judy Dempsey in Bucharest

ROMANIA'S interim government yesterday presented the European Commission with a long shopping list of foodstuffs as well asfinancial aid to see them through the winter.

Mr Frans Andriessen, the European Commissioner responsible for External Affairs, who was on a one-day fact finding mission to Bucharest, expressed Brussels' readiness to consider this, on condition that Romania halt the export of any more food for the foreseeable future.

Romanian ministers, who emphasised that the Government was only temporary and would relinquish power to a freely elected administration this year, nevertheless said they wanted to establish formal diplomatic relations with the EC and negotiate a trade and economic co-operation agreement as soon as possible.

Despite claims by the former Ceausescu regime that the hard currency debt had been repaid, Romanian ministers yesterday indicated that loans were outstanding and that they would now like a "financial protocol" with Brussels.

EC officials took this to be a reference to a loan, which they said would be referred back to the Group of 24 Western aid donors.

The food packages cover a wide range of items, including 250,000 tons of meat, 15,000 tons of butter, 10,000 tons of rice, 300,000 tons of cereals and 18,000 tons of coffee.

On Saturday, Bulgaria demanded from Mr Andriessen aid of the same scale as given to Poland and Hungary, but also pointed to greater problems in assessing the country's move to real democracy.

On the eve of today's meeting of the parliament to discuss writing a multi-party system into the constitution, Mr Georgi Atanassov, Bulgaria's Communist premier, assured Mr Andriessen that "political pluralism was in full swing"

But in a late-night meeting with opposition leaders, the EC Commissioner was told of their grave doubts about being properly able to contest elections mooted for June, while the Communist party still controlled access to the media and political funding.

Mr Andriessen said the EC wanted "specific and concrete commitments for reform and preparation for elections" as a precondition for any aid. But Brussels would not insist that elections take place before it signed a trade and economic co-operation accord with Bularia, negotiations for which started last year.

Mr Hristo Hristov, the Bulgarian Trade Minister, put in requests for financial and food aid which he promised to detail in a memorandum to Brussels.

Japanese fear yen's new weakness will endure

By Robert Thomson in Tokyo

THE JAPANESE Government is showing growing concern that the yen's new-found weakness will endure, as long-term capital flows appear to be changing and because seven successive days of huge intervention in currency markets has failed to bolster the currency.

Foreign securities houses, which, like the Japanese Government, took for granted that the yen would strengthen this year, have begun revising their forecasts for the currency.

The Bank of Japan is rumoured to be considering yet another increase in the Official Discount Rate (ODR), which now stands at 4.25 per cent, and was increased three times last year, after eight years without a rise.

Fearing that the yen's fragility will fuel domestic inflation and disrupt the trend of declining trade surpluses, Japanese officials are certain to argue at today's Group of Seven vice-ministers' meeting in Paris that collective measures should be taken to strengthen the yen.

Mr Ryutaro Hashimoto, Japan's Finance Minister, last week stressed that he had confidence in the "co-operative system of the Group of Seven nations to foster currency stability", but the Japanese Government, generally, has been unpleasantly surprised by its recent inability to boost the currency.

That inability has been more keenly felt because of the Bundesbank's apparent ease in influencing exchange rates. Both Mr Hashimoto and Mr Yasushi Mieno, governor of the Bank of Japan, have condemned the "rumours" and speculative selling they say has undermined confidence in the currency, which has been nearing Y146 to the dollar.

The rumours have included the unseating of Mr Mikhail Gorbachev, the Soviet leader, and the supposed arrest of a Japanese politician on insider trading charges.

Mr Masaru Yoshitomi, director-general of the economic research institute of the Economic Planning Agency, admits, along with most other government officials, that he is surprised by the yen's problems.

He said that the Japanese economy remains strong, and despite factors such as a "rather strong demand" for the US dollar, the yen's weakness appears to be related to "non-economic factors".

The most important non-economic factor is a Japanese election next month and fears that the ruling Liberal Democratic Party (LDP) will perform poorly.

But Mr Richard Koo, senior economist at the Nomura Research Institute, said a change in the nature of capital outflow from Japan is an important cause of the yen's troubles.

Foreign securities investment by Japanese individuals and non-financial corporations had been exceeding that of institutions, and these groups "are less responsive to interest rate differentials."

Attempts to push the dollar lower have been "quickly swallowed up," he added, and "if the dollar does come down to Y138 to Y139, there will be tremendous demand for the dollar and dollar assets. For the dollar to penetrate Y138, "you

Hashimoto: confidence

would need an accident," such as the stock market plunge in October 1988.

A few weeks ago, many specialists in Tokyo had confidently predicted that the rate would be around Y130 at the end of the year, but some have now revised their estimates to Y135 and Y140.

The Bank of Japan expected the bank rate rise to 4.25 per cent on December 25 would strengthen the currency and ease concerns about inflation. The rise followed a row between the bank and the Finance Ministry over monetary policy, which the bank appeared to have won with the increase.

The bank had wanted to ease inflationary pressure, but now there is even deeper concern about higher commodity prices, while the Ministry of International Trade and Industry fears the yen's weakness will affect the politically-sensitive trade surplus, which has declined for nine successive months.

UN talks on boat people postponed

By John Elliott in Hong Kong

A United Nations conference scheduled to take place in Geneva this week to discuss mandatory repatriation of Vietnamese boat people has been postponed.

Hong Kong's plans to send a second mandatory plane load of boat people back to Hanoi have also been delayed.

The UK has agreed to the conference being postponed for a few days in the hope that it will give the US time to drop its outright opposition to the compulsory, which has helped to swing world opinion against the policy.

Hong Kong's first mandatory plane load went back to Hanoi last month and the UK has been delaying a second flight till the conference is held. The British colony has yet to finalise a detailed agreement with Vietnam on a second flight but Hong Kong officials believe this could be done quickly.

Mr Douglas Hurd, the British Foreign Secretary, is due to visit one of Hong Kong's boat people detention centres tomorrow.

Controversy over treatment of the would-be refugees will be further fuelled today with publication of an Amnesty report alleging that Hong Kong security personnel attacked the boat people.

It also claims that screening processes used to determine who are refugees are inadequate.

About 56,000 Vietnamese are in Hong Kong's camps. At least 40,000 of them are expected to qualify for repatriation voluntarily or mandatorily because they do not qualify as genuine refugees.

Good HK start for Honourable Hurd

Foreign Secretary averts stormy welcome, writes Robert Mauthner

The new British Foreign Secretary's name is not exactly a household word in the Crown Colony of Hong Kong, which never even had time to get acquainted with Sir Major before being saddled with the Honourable Hurd.

But names and titles apart, Mr Hurd, who arrived in Hong Kong at the week-end for what was widely forecast to be a stormy visit, has made a noticeably better start than his predecessor but one, Sir Geoffrey Howe.

Sir Geoffrey put his foot in it almost immediately on arrival last July, when he refused to answer questions at the airport and was booed and jeered for his pains by an American TV crew. Not so the Honourable Hurd, who even went out of his way to solicit questions from untypically reticent local journalists on his plans for the future of Hong Kong.

The demonstrators who greeted Sir Geoffrey at the airport last summer were conspicuous by their absence this time, except for a small but noisy band of 150 or so, who marched on Government House yesterday afternoon to hand in a petition calling for more democracy and human rights. It was both a small and badly-timed protest, though not lacking in fervour or musical merit. At that very time, the Foreign Secretary was on a guided helicopter tour of the territory, well out of earshot.

The day had started with what turned out to be somewhat of a public relations master-stroke. Rent-a-crowds, like most things in Hong Kong, are expensive. But the Foreign Secretary got round that one by turning up in a red sweater and slacks to open "the Community Chest's Hong Kong Island Walk for Millions", a charity event expected to bring in more than £1m.

Mr Hurd tours the Hong Kong-China border yesterday

The stadium in Causeway Bay was packed by thousands, if not millions, of ready-made walkers who were expecting the Governor, Sir David Wilson, to send them on their way, but hardly a member of Mrs Thatcher's royal household. The Duchess of Kent, at the traditional end-of-Wimbledon ball-boys' review, could hardly do better.

Uniformed scouts and guides were asked which regiment they belonged to, babies what they wanted to do when they grew up, and stout middle-aged men in canary-coloured track suits where they went to school.

The climax came when, under a light drizzle and to the martial strains of "Colonel Bogey" and "Scotland the Brave", a slightly sheepish Foreign Secretary led the "Walk of Millions" out of the stadium to his gleaming Daimler flying the Union Jack.

Maggie would have been proud of the Honourable Hurd. The British Government had honoured its commitments. There was not so much as a whisper of the right of abode, let alone direct elections – at least at this early, sporting stage of the visit.

After the walk, it is true, a few tricky hurdles remain to be negotiated. Today, the Foreign Secretary will be the guest of the same Chambers of Commerce whose lunch in honour of Sir Geoffrey was so noisily disrupted by protesters against Britain's policies on Hong Kong.

Nor can the Vietnam boat-people reasonably be expected to give the minister who personifies the British Government's policy of enforced repatriation a hero's welcome when he visits one of their detention camps tomorrow.

It's all in a Foreign Secretary's day, of course. For him, as for others, there's no such thing as a free lunch, not even at the Hong Kong Chamber of Commerce. And it all has its compensations. When the Honourable Hurd is repatriated to Britain tomorrow night, he may not even be asked to show his passport at Heathrow.

Fresh US bid to end Afghan war

By Lionel Barber in Washington

A TEAM of high-level US diplomats is visiting South Asia to explore prospects for a new Bush Administration initiative aimed at ending the civil war in Afghanistan.

The mission reflects a growing realisation that the US-backed Afghan resistance has failed to achieve Washington's goal of overthrowing the Soviet-backed régime in Kabul and creating a non-aligned, non-Communist government.

It comes amid accelerating efforts by the United Nations to secure Soviet support for its own new peace initiative. Mr Javier Pérez de Cuéllar, UN Secretary-General, is due to visit Moscow early this week to hold talks with Soviet leaders, including, it is reported, President Mikhail Gorbachev.

Mr Robert Kimmitt, third-ranking official at the State Department, heads a team which will hold talks with Afghan rebel leaders and top officials in Pakistan, whose military directs resistance operations inside Afghanistan.

Mr Kimmitt may also visit Saudi Arabia, one of the rebels' main financial backers, and India, to meet the new prime minister, Mr V.P. Singh.

Pérez de Cuéllar: Moscow visit

US officials stress that no fundamental shift in policy is at hand, but the Kimmitt mission is preparing the ground for the visit to Moscow by Mr James Baker, Secretary of State, early next month. Along with other arms control issues and regional conflicts in Angola and Cambodia, Afghanistan figures high on the agenda ahead of the planned superpower summit in late June.

Current US policy rests on the formation of an interim government (AIG) made up of the seven Afghan resistance groups and the use of military force to topple President Najibullah, the Soviet puppet leader. Washington also insists that Najibullah cannot be part of a negotiated political settlement.

The UN, which brokered the 1987 Geneva peace accords providing for the withdrawal of Soviet troops last February, is now testing the ground for its own new initiative.

The goal is to form a national government of reconciliation with the Najibullah régime, and to explore whether Washington and Moscow might agree to a mutual cut-off of military aid to their clients.

The Soviet Union is still thought willing to drop Najibullah, as they were at the time of the Geneva accords. But the US let the opportunity slip, and Moscow now requires a face-saving alternative.

The Bush Administration's policy of isolating the Kabul Government is also not working.

France last week said it was re-opening its embassy in Kabul, further testimony to the régime's obstinate survival against all odds predicted a year ago.

Li Peng 'to visit Soviet Union soon'

CHINA'S Premier Li Peng will visit the Soviet Union "in the near future", Mr Igor Rogachev, Soviet deputy foreign minister, said at the weekend, Reuter reports from Moscow.

In an interview broadcast on Moscow Radio, Mr Rogachev denied any ideological split between Moscow and Peking and dismissed ideas of a rift between the communist powers.

"This [split] is something that certain people would like to see in countries where they feel the normalisation of Soviet-Chinese relations poses a threat to third countries," said Mr Rogachev, who recently visited Peking.

"There can be differing interpretations even in the very best families and among the very best neighbours, and there is nothing terrible in that," Mr Rogachev added.

"We are convinced that there are no reasons at all for complications in the onward development of Soviet-Chinese co-operation."

Mr Rogachev said Li was expected to visit the Soviet Union as part of a series of meetings. The report gave no further details of these proposed meetings.

Mr Mikhail Gorbachev, the Soviet leader, formally ended a rift of nearly 30 years when he visited China in May last year. The visit coincided with mass pro-democracy demonstrations in Peking which were eventually crushed by the military.

Hardline Communist Party officials in China have privately blamed Mr Gorbachev for recent democratic changes in Eastern Europe, described in Peking as "subversion of communism".

Talks on Cambodia open in Paris today

By George Graham in Paris

TALKS on the future of Cambodia open in Paris today among the five permanent members of the United Nations Security Council, amid signs of a shift in the policy of the Western powers towards the Cambodian Government.

Diplomats are wary of predicting any immediate results from the two days of talks among US, Soviet, Chinese, British and French officials. They say that the positions of the various parties appear to have evolved enough to give some hope of reopening the Paris peace conference, suspended last August after six weeks of negotiations.

But more talks may be needed before the conference can be reconvened. The conference failed to agree on a form of interim government associating the three-party resistance coalition and the Vietnamese-backed Government of Hun Sen in Phnom Penh. Support is now emerging in some quarters for a plan proposed by Australia, involving a provisional UN administration.

Intense fighting inside Cambodia, following withdrawal of Vietnamese troops last September, appears to have bolstered the Khmer Rouge, who ruled the country under Pol Pot from 1975 to 1979, both against their partners in the resistance headed by Prince Norodom Sihanouk, and against the Hun Sen Government.

The Khmer Rouge military successes appear not only to have raised the chances that Hun Sen might make concessions on a peace settlement, but also to have worried Western backers of the resistance. Supporting Prince Sihanouk has meant by the same token reluctantly supporting the Khmer Rouge, but the threat of a return of Pol Pot has led many to conclude that the time has come to drop Prince Sihanouk.

France, among others, now seems to be shifting its position. President François Mitterrand said last week that "no compromise is possible with the Khmer Rouge", and some officials now favour coming out for Hun Sen as the lesser of two evils.

France's sudden reversal last week of its decision to sell six frigates to Taiwan is being widely interpreted as a gesture designed to bring China, the principal backer of the Khmer Rouge, to the conference table.

Prince Sihanouk is worried by his loss of support. In an "Open letter to the powers of the free world who are preparing to abandon Sihanouk and the Cambodian resistance and to embrace the Hun Sen régime", sent to the AFP news agency on Saturday, the prince said the most important goal was to fight against Vietnamese domination of the country he ruled until 1970.

He warned the Western powers not to underestimate the military and political strength of the Khmer Rouge.

Salvador leftist leader killed in Guatemala

By Tim Coone in Managua

THE assassination at the weekend of a prominent left-wing El Salvadorean politician, Dr Hector Ogueli, has jeopardised the latest efforts to negotiate an end to El Salvador's 10-year civil war and threatens a political crisis in Guatemala.

Dr Ogueli was kidnapped in Guatemala City last Friday by an unidentified paramilitary group. He was accompanied by Ms Gilda Flores, a leader of the Guatemalan Social Democrat party. Their bodies were found 20 miles from the El Salvador frontier. Dr Ogueli was a candidate in last May's presidential elections in El Salvador for the centre-left Convergencia Democratica alliance.

In El Salvador, left-wing FMLN guerillas immediately said they were "reconsidering" a proposal to renew talks with the El Salvador Government of President Alfredo Cristiani under UN mediation. The UN and US had welcomed the move. Mr Cristiani is due this week in Washington, where he is due to lobby for new US aid to El Salvador.

This is under question after six priests were murdered in San Salvador. Last week, Mr Cristiani said proof of those involved had been found, and promised to name them. So far, he has not done so.

Ozal throws lifeline across Euphrates

Turkey's President opens a controversial dam, writes Jim Bodgener

TO CHANTS of "Allah is great", Turkey's President Turgut Ozal pressed a button at the weekend to start impounding the Euphrates behind the huge Ataturk Dam in the country's south-east.

As the chants rose and fell, hawsers lowered an 87-tonne concrete plug into the diversion channel under the huge embankment, the fifth largest in the world.

Engineers, contractors and politicians smiled with pride as the river drained downstream, exposing mudbanks and flapping carp, for about 10 km down to the next tributary.

Apart from turbines and generating equipment, plus construction machinery, the $1.5bn (£938m) hydro-electric and irrigation project has been built and financed by Turkey itself, since work started in the mid-1980s.

International funding agencies such as the World Bank have been loth to get embroiled in damming a major river bordering three uneasy neighbours – Turkey, Syria and Iraq – a region hit by drought last year, affecting Syria especially.

Despite exhaustive Turkish explanations, Iraq is still pressing for a reduction in the time (one month) Turkey says is needed for the first-stage filling of the dam.

However, sub-zero temperatures have frozen the snowmelt further up the river, although Turkey plans to "top up" with extra water from two other large reservoirs upstream.

Damascus yesterday had still not responded to an offer of Turkish electricity in compensation for the generating shortfall from Syria's al-Thawra (Revolution) Dam.

From the time of announcing the river closure on November 23, Turkey had at times more than doubled the agreed river-flow of 500 cubic metres a second across its southern border, to enable Syria and Iraq to store water in advance.

Turkish officials claimed at the weekend that a total of 3.4bn cubic metres had been released since November 23, yet only 860m cubic metres had emerged from the al-Thawra Dam. Syria was holding back water to foment tension between Baghdad and Ankara, they alleged.

The Turkish Government has consistently denied using the river as a weapon, though relations with Syria have been exacerbated, by Syria's aid to insurgents of the Marxist separatist Kurdish Workers Party (PKK) in south-east Turkey.

"We have taken into account the needs and concerns of our neighbours," President Ozal said on Saturday. "We will never use the control of water to coerce or threaten them."

The 20,000 construction workers and inhabitants of the area who thronged upstream bluffs and slopes clearly had no qualms about the dam, even though some came from villages already inundated by its lake. "More grain, more cotton, more nuts, more pistachios," they enthused. "We love it."

Twenty-six-kilometre irrigation tunnels to the Harran Plain abutting the Syrian border are centrepieces of the equally huge and ambitious south-east Anatolian (GAP) development project. With the project's first $12bn stage, GAP seeks by early next century to transform an arid and deprived region of 73,836 sq km covering 9.5 per cent of Turkey's total land area into a cash-crop "dynamo" and granary.

Iraqi demands to shorten the time the Euphrates River is cut off so that Turkey can fill its giant Ataturk Dam, were pressed on President Turgut Ozal again last night by a top-level Iraqi delegation, Jim Bodgener reports from Ankara.

Led by Iraq's Oil Minister, Mr Issam Abdul al-Chalabi, the delegation carried a special message from President Saddam Hussein.

It brought proposals on how to reduce the time the river will be cut off from a month to two weeks. In December, Turkey explained the need for the move in joint economic talks with Iraq.

Iraq's demands were reiterated in Al-Thawra, the Baathist party newspaper, yesterday. It said Iraqi population and industry in the Euphrates basin were threatened, and claimed Turkey had in the past blocked agreement on dividing the water between itself, Syria and Iraq.

By last night, Damascus had not responded to a Turkish offer of electricity supplies in compensation for losses in generating capacity at Syria's al-Thawra dam.

● Turkish imports from Iraq, mainly crude oil, grew in value by 11.6 per cent in the first three-quarters of last year to total $1.29bn.

But previously rapid growth in Turkish exports was undercut by 66 per cent over the period, by imposition of tight credit ceilings until Iraq pays back debt totalling up to $2bn.

SHIPPING REPORT

Tanker rates steady despite lack of business

By Kevin Brown, Transport Correspondent

TANKER market rates held steady last week in spite of a lack of business in the early part of the week which led brokers to fear that rates were about to fall.

A downward trend looked likely, following the fixture of a ship of 260,000 tonnes deadweight from the Middle East Gulf to the US Gulf at Worldscale 59.5.

In the event, however, demand picked up as the week wore on, helped by some private fixtures, the terms of which were not reported.

Galbraith's, the London brokers, said some charterers were apprehensive that the number of private fixtures could indicate that a head of steam was building up behind the market.

Most fixtures reported from the Middle East were for ships between 230,000 and 250,000 tonnes for eastern destinations at around Worldscale 67.5. Demand existed for 250,000-tonne ships from the Mediterranean at around Worldscale 65 for US Gulf discharge.

WORLD ECONOMIC INDICATORS

TRADE STATISTICS

		Nov.'89	Oct.'89	Sept.'89	Nov.'88
UK (£bn)	Exports	8.127	8.068	8.442	6.720
	Imports	9.642	9.879	10.324	8.671
	Balance	-1.415	-1.728	-1.831	-1.626
Japan ($bn)	Exports	22.592	21.822	22.551	22.520
	Imports	17.208	16.096	16.504	14.478
	Balance	+4.824	+3.784	+4.100	+7.380

		Oct.'89	Sept.'89	Aug.'89	Oct.'88
US ($bn)	Exports	31.010	30.680	30.562	27.889
	Imports	41.210	39.194	40.662	37.121
	Balance	-10.201	-8.513	-10.101	-9.232
W. Germany (DMbn)	Exports	53.50	54.00	55.60	51.60
	Imports	43.50	42.60	42.20	40.20
	Balance	+9.60	+7.60	+8.29	+7.72
France (FFrbn)	Exports	95.416	97.136	94.228	86.183
	Imports	104.092	95.189	103.54	89.804
	Balance	-8.876	+1.947	-9.312	-3.621

BUDGET TALKS BEGIN

Counter-inflation policy threatened

By Peter Norman, Economics Correspondent

THE LIKELIHOOD of an austere budget in March increased over the weekend as the Government found its counter-inflation policy under growing threat from rising pay claims.

Mr John Major, the Chancellor of the Exchequer, spent Friday evening and Saturday with Treasury ministers and senior officials planning the groundwork for the budget at the Foreign Secretary's country home at Chevening in Kent.

Officials declined to comment on the talks, which marked the beginning of the pre-budget period in which Treasury officials retreat behind a self-imposed wall of silence in their dealings with the press. However, all the indications suggested that formal decisions were not taken.

Indeed, with domestic UK economic indicators providing an inconclusive picture as to whether demand is slowing in line with Government hopes, and last Friday's sharp stock market falls in Tokyo, London and New York highlighting numerous international uncertainties, the main decisions are not expected until much closer to budget day.

This is expected to be later than usual, possibly on March 20, because of disruption to the budget-forming process as a result of Mr Nigel Lawson's resignation as Chancellor in October.

As Mr Major and his weekend guests were gathering in the Georgian splendour of the former ancestral home of the Earls of Stanhope, Mrs Margaret Thatcher hinted on Friday evening that there would be no relaxation of the Government's present tight fiscal policy in the budget because of the inflation problem.

In a BBC television interview, she said the way of getting inflation down "has to be quite a tough taxation policy so that we have a budget surplus and not a deficit, and also high interest rates."

On Saturday, Mr Lawson told BBC Radio that he did not expect any steps in this year's budget towards achieving the Government's target of cutting the basic rate of income tax to 20p in the pound from the present 25p.

The pressure for an austere budget has increased with a proliferation of double-digit pay claims over the past week. Treasury officials are disturbed by developments in the Ford wage dispute, where the unions last week rejected a 10.2 per cent offer.

That conflict escalated over the weekend when Ford craftsmen at the company's plants at Halewood on Merseyside and Bridgend in South Wales voted for an indefinite stoppage over the offer. The action, due to begin today, is expected to cripple production at the two plants.

Any hope that the unions would respond positively to Government warnings on the dangers of high pay claims was dealt a blow over the weekend by reports that an independent pay review has recommended that Britain's family doctors should receive 13 per cent pay increases.

Government figures on Friday are expected to show an increase in Britain's annual inflation rate to 7.9 per cent in December from 7.7 per cent in November. Rising fuel and transport costs and the introduction of the community charge or poll tax are expected to add to inflationary pressures in the first half of this year.

In his budget, Mr Major will also have to decide whether to offset the expansionary impact on the economy of the introduction from April of separate taxation of husband and wife. The Inland Revenue has estimated that this reform could cost the Treasury £1bn in a full year.

Retailers face tough time after buoyant Christmas

By Peter Norman, Economics Correspondent

CHRISTMAS turned out to be better than expected for Britain's retailers with sales last month substantially higher than in December 1988, according to the latest Confederation of British Industry/Financial Times *distributive* trade survey.

However, expectations for January are subdued, with the survey indicating lower sales growth in the retail and wholesale sectors and depressed conditions in the motor trade. Motor sales in December were lower than a year ago for the eighth consecutive month, with more traders than ever complaining of excessive stocks.

Mr Andrew Sentance, the CBI's economics director, said turnover last month might have been boosted by many retailers bringing new year sales into December. He forecast a tough year's trading for retailers in 1990.

Nonetheless, last month's retail sales will be studied carefully by the Treasury, which is anxious to see reduced demand in the economy as part of its counter-inflation programme. On balance 30 per cent of retailers told the CBI/FT survey that their sales in December were higher than in December 1988. This "positive balance" was well above the 23 per cent monthly average in 1989.

Later today, the Government and the City will have a further insight into retail trends when the Central Statistical Office publishes its provisional retail sales figures for last month. City analysts expect a 0.5 per cent rise in sales volumes during December after November's 0.4 per cent decline.

Among retailers, grocers reported the best sales increases last month, while shoe shops, booksellers and stationers indicated sales below 1988 volumes.

Although retailers as a whole expect a modest increase in sales this month, the sectors that experienced a sales decline in December expect a further drop in sales as do shops selling household textiles, furniture, carpets and clothing.

Details, Page 7

Strike at Ford UK could affect European output

By Lisa Wood, Labour Staff

CAR and engine production at Ford Motor's UK operations could be crippled this week by indefinite unofficial strike action by maintenance workers.

The action, which comes in a week of critical talks between union leaders and Ford over the company's 10.2 per cent pay offer, could also affect Continental plants producing the Escort, Orion and Fiesta cars which use engines made at Bridgend, South Wales.

The first unofficial stoppages are due to start today at Bridgend and at Halewood, on Merseyside, one of the company's two main UK assembly plants.

Maintenance workers at Dagenham, Essex, the company's other UK car production plant, meet this morning to decide whether to take similar action.

Union officials believe the action could quickly bring the two car production plants and the engine assembly plant to a standstill.

Ford said the impact could be swift if major pieces of machinery broke down and required urgent maintenance work. The effect on Continental plants, it said, depended on the duration of the action and its extent.

The employees at Bridgend, one of the company's two UK engine plants, will reassess their action on Thursday.

The unofficial action among the craft maintenance workers reflects their aim of securing special recognition of skills they have developed through new technologies as well as fears that Ford is attempting to de-skill their jobs by new grading systems.

Today, meanwhile, workers at Dagenham are to hold a mass meeting to decide whether to hold a 24-hour "day of action" strike on Wednesday.

On Wednesday talks resume between the management and union leaders representing all Ford's 31,800 blue collar hourly paid workers, including the maintenance craftsmen, on Ford's two year pay offer which union leaders rejected last week.

Ford was offering 10.2 per cent in the first year and 7.5 per cent or inflation plus 2.5 per cent in the second.

UK NEWS

South-east is the 'first region to be de-industrialised'

By John Authers and Hazel Duffy

THE south-east of England has become Britain's first de-industrialised region, according to a study published today. Services have replaced manufacturing as the backbone of the region's economy, it says.

The area now relies more on services for exports than it does on goods, and the finance and business sectors have overtaken manufacturing as the main producer of regionally tradeable goods and services.

The annual survey of Regional Economic Prospects by Cambridge Econometrics – a private forecasting company linked to Cambridge University – and the Northern Ireland Economic Research Centre is one of the most thorough breakdowns of a national forecast into the regions.

The report has discovered a shift in economic activity away from the cities and into rural areas. Half of all foreign industrial companies moving to Britain since 1983 chose to set up in rural areas in the south.

Wales has been the chief beneficiary of this shift, and is projected to have the fastest growth in manufacturing over the next 10 years.

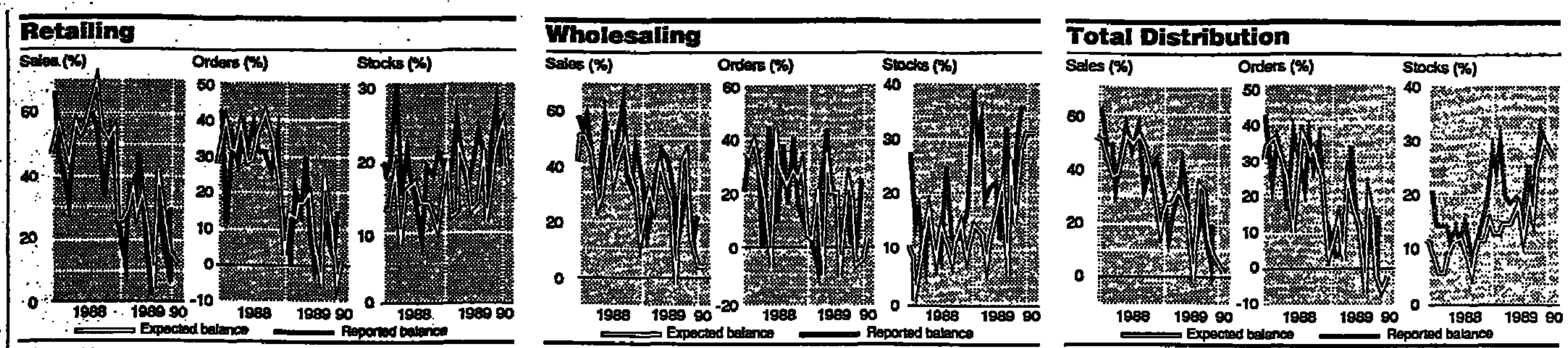
In the south-east, employment trends have changed rapidly. In 1980, manufacturing employed twice as many people as the financial sector, but by 1989 the financial sector employed 10 per cent more people than manufacturing.

The researchers also noted that the economic gap between Britain's regions, which widened sharply in the 1980s, is expected to grow at a much slower rate this decade. Capacity constraints and labour shortages in the south, which have slowed the rate of growth, are contributing to a greater evenness between areas.

Individual forecasts are:

- **South-east:** Population growth will be determined by housing development, but might increase by only 0.3 per cent a year to 1995. Consumer spending will rise in London and the rest of the south.
- **East Anglia:** Growth of the labour supply will depend on planning decisions in response to pressure for expansion. Improved communications will increase this pressure.
- **South-west:** An overheated development in Bristol will deter companies from moving in. Defence spending is important in the region so any cutbacks will affect the south-west in particular.
- **West Midlands:** Employment in manufacturing will shrink, but it will grow in services, which are taking off from a low base. Stability is predicted along with movement towards UK averages for employment and growth.
- **East Midlands:** The population will grow at twice the country's average. Growth in public utilities is projected to exceed other regions.
- **North:** The worst of the period of readjustment in industry is over. Manufacturing is recovering and is expected to account for one-third of a much enlarged regional gross domestic product.
- **North-west:** Revisions to the employment census show that the region did better in the 1980s than had been thought, but growth will still be relatively slow.
- **Wales:** This is the regional success story having adjusted from a coal and steel-based economy to modern industry, bolstered by investment from overseas companies. Service sector employment is forecast to increase more rapidly than in the UK as a whole.
- **Scotland:** Population is expected to fall with net migration losses amounting to about 20,000 per year in the early 1990s. This reduces unemployment, but also the level of local demand especially in services.
- **Northern Ireland:** Employment has failed to keep pace with the increase in the working age population, but investment in commercial property is high and uncertainties about part of the manufacturing sector have been eased.

Regional Economic Prospects, Cambridge Econometrics and Northern Ireland Economic Research Centre, 21 St Andrew's Street, Cambridge, CB2 3AX. Full report £1,500, abridged report £35.



CBI/FT DISTRIBUTIVE TRADES SURVEY

Retailers and wholesalers report unexpected recovery in sales

By Peter Norman, Economics Correspondent

RETAILERS and wholesalers experienced a recovery in trading last month with UK sales comfortably exceeding expectations.

However, the latest Confederation of British Industry/Financial Times distributive trades survey pointed to depressed conditions in the motor trade, with a record proportion of dealers reporting excessive stocks.

Yet the marked revival in December sales does not signify a change in trend according to the survey, which polled 512 companies in the retail, wholesale and motor trades between December 8 last year and January 4. Sales growth is expected to weaken this month in retail and wholesale sectors.

Of the 296 retailers questioned, 50 per cent said that sales volumes in December were higher than a year earlier while 20 per cent said they were lower. The difference between the two, which gives a guide to the trend, was a balance of 30 per cent – significantly higher than November's 6 per cent, but well below the 43 per cent positive balance reported in December 1988.

The 30 per cent balance of retailers reporting higher sales was also higher than the 17 per cent balance of traders in November who had said they expected a sales increase last month. Expectations this month are muted: a balance of 11 per cent of retailers expect higher sales than January 1989.

More retailers reported that December sales were good for the time of year. The survey reported a positive balance of 13 per cent in answer to this question, whereas a balance of 1 per cent had said November sales were poor for the season.

Stocks were run down in December from November's high levels: on balance only 19 per cent of retailers complained of excessive stocks last month against November's 28 per cent. Other factors point to a clouded future. While a balance of 15 per cent of retailers increased their orders with suppliers in December compared with the same month the year before, only 1 per cent on balance expect to do so this month. A balance of 5 per cent of retailers expect sales this month to be poor for the time of year.

A gloomy picture emerges from the 55 motor traders polled. Only 22 per cent reported higher sales in December against 45 per cent reporting sales down on the year before. The resulting balance of 23 per cent reporting lower sales last month contrasted with the survey a year ago which had shown a balance of 17 per cent reporting higher sales in December 1988.

A balance of 16 per cent said December sales were poor for the time of year while a balance of 42 per cent said they expected sales this month to be below those of January 1989.

Motor traders continued to place fewer orders with suppliers in December. On balance, 42 per cent of companies placed fewer orders than in December 1988, while 32 per cent on balance expect to place orders below 1989's levels this month.

A record balance of 50 per cent of motor traders indicated excessive stocks last month, up from the previous high of 46 per cent in November.

Wholesalers, however, reported an increase in the annual rate of sales growth in December from November 1989.

Of the 161 companies polled, 52 per cent said sales were higher last month compared with the year before against 30 per cent reporting a drop in sales. The 22 per cent positive balance was higher than November's 14 per cent, but down on last year's average monthly balance and well below balances in 1988.

This month, a balance of only 3 per cent of companies expects an increase in sales. Also, a balance of only 3 per cent of wholesalers said sales were good for the time of year in December: 55 per cent of them reported average sales.

Food and drink wholesalers reported an increase in annual sales growth in December, but most other sectors said sales were below December 1988.

Stocks were high in relation to expected sales last month, with an unchanged balance of 36 per cent of companies reporting excessive stocks.

Labour dashes hopes of a 15% rate of income tax

By Michael Cassell, Political Correspondent

HOPES that a Labour government could establish a bottom rate of income tax as low as 15p in the pound have been dashed by the party leadership.

Mr John Smith, the Shadow Chancellor, has ruled out a bottom rate of 15p on the grounds that, under the structure being considered, the cost to the Treasury would prove unacceptably high.

Labour intends to introduce a series of personal tax bands as part of its plans for taxation reform, with the lowest rate intended to reflect ability to pay more accurately.

Senior party figures had regularly cited 15p as a possible starting point, although the figure had never been confirmed.

The lowest rate is now more likely to be set at 18p or 19p, enabling Labour to trump the government's stated objective of eventually cutting the basic income tax rate to 20p.

There will, however, be no change to Labour's projected top rate of 50p, although this will effectively rise to 59p if, as the party intends, the upper earnings limit on national insurance contributions is abolished.

The party's treasury team has indicated that details of the final structure will not be made known until after a Labour chancellor has moved into the Treasury. Mr Smith's broad strategy will be to ensure that, overall, there will be more gainers than losers. Work on establishing the graduated income bands and associated tax rates is still under way.

Labour is committed to altering the present income tax structure, which applies only two taxation rates on earned income and which means the overwhelming majority of taxpayers face the same tax liability, regardless of often wide differences in incomes.

In formulating its new policy, the leadership is determined to kill off Labour's image as a party of penal rates of tax and wants to establish what it hopes will be seen as a much fairer system related to people's ability to pay.

Labour is also expected to stress, as the next election approaches, that there will not necessarily be an early change from the present tax arrangements, with planned reforms wholly dependent on post-election circumstances.

The party's reluctance to be pushed into making detailed disclosures about tax plans – its proposals at the last election were criticised by the Conservatives as badly thought out – is certain to come in for increasing criticism from the government, which is already calling on Labour to make public more details.

Mr Neil Kinnock, the Labour leader, has indicated no more than that the highest rates of tax will begin to bite only once annual earnings reach about £40,000.

Industry prepares to feel the pinch

Charles Leadbeater, Nick Garnett and Paul Abrahams sense nerves

A MOOD of nervous apprehension is enveloping industry as it contemplates the year ahead.

Few industrialists expect a recessionary storm. But companies that confidently expanded output in the past two years, are moving much more hesitantly into the new decade. Cost-cutting programmes are being accelerated and some investments deferred.

The warning of a tough year ahead will be reinforced today when the Confederation of British Industry unveils budget proposals focused on corporation tax changes to offset the squeeze of higher interest rates.

In some sectors such as chemicals, commercial vehicles and construction machinery there are signs that the market downturn may be worse than forecast. In most others, executives expect demand to fall from the peaks reached in the last two years.

Even that will test the success of moves to diversify into international markets and rationalise production, as Imperial Chemical Industries, one of Britain's largest manufacturers, shows.

Sir Denys Henderson, the company's chairman, says he began warning of an impending downturn in late 1988. The message was strengthened in the middle of last year, when the senior management team told all subsidiaries to rein back expenditure.

Sir Denys says: "People had got used to projecting strong growth in sales volumes and profits. My question was what will happen to costs if you do not get the right sales volume. If volume falls we will not be able to cover the projected costs."

Nevertheless, when last November the subsidiaries submitted their 1990 budgets senior management had to throw them out judging them too optimistic.

If one of Britain's most professional, well-resourced companies finds it that difficult to adjust to slower growth what about smaller concerns?

The Department of Employment's latest figures confirm industrialists' fears with a spate of small redundancies in recent weeks from steel suppliers to defence contractors.

Redundancies in the UK rose from 24,356 in the third quarter of 1988 to 27,275 in the same period last year. The rate of job losses rose in the south-east, East Anglia, the west and east Midlands and more than doubled in Yorkshire and Humberside.

Although the gloom has not infected all sectors it is spreading from the consumer related industries, which began to be hit last year, deeper into industry.

The commercial vehicle market is already suffering badly. Truck sales were down 25 per cent last December compared with a year before. Mr David Brown of Truckmaker AWD says heavy truck sales in the next few months could be 30 per cent down on 1989.

The Society of Motor Manuacturers and Trades expects car output to fall marginally from 1.28m last year to 1.25m this. Union officials at Ford say the normal precursor of falling demand, a cut in production line speeds, has not yet arrived.

Demand for construction machinery is expected to fall by 10 per cent this year, after a fall of between 10 and 15 per cent last year from a peak in 1988, according to Corporate Intelligence Group, an industry analyst.

The market of forklift renting, the first to be hit in a downturn, has fallen 20 per cent in recent months. Young Jungenrich, the West German manufacturer believes the UK overall market could fall 10–15 per cent this year.

Steel demand is at least 5 per cent down from the peak early last year. A serious fall in demand for stainless steel began in the middle of 1989.

United Engineering Steels, the second largest producer is looking for a range of efficiency improvements and cost savings.

However, most steel companies do not expect a precipitous fall in demand. European export markets are holding up well.

Plastics companies were hit last year by a fall in construction demand. They are expecting to suffer from a fall in orders from car makers, but automotive industry demand is holding up well.

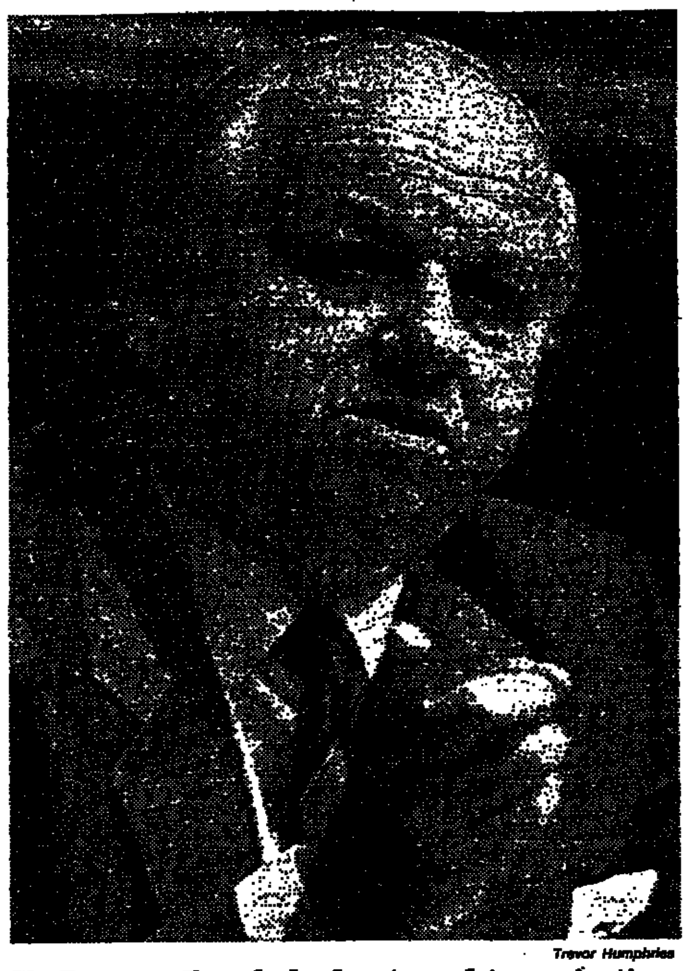
The manager of one West Yorkshire plastics factory, who is planning to visit 40 to 50 companies to drum up new business said: "Labour relations have been deteriorating over the last six months, customers have been reducing schedules and margins are being cut."

The British Foundry Association and the Light Metal Founders Association both said they expected marginal falls in demand for castings.

A slight fall in demand was what the chemical industry was expecting until the Chemical Industries Association last week forecast growth of just 1 per cent this year, compared with an increase in output of 4 per cent in 1989.

British demand for chemicals collapsed during the last half of 1989, in spite of expanding by 8.5 per cent for the year as a whole.

The overall growth in demand in Britain this year is expected to be ½ per cent.



Trevor Humphries

Sir Denys: "People had got used to projecting strong growth in sales volumes and profits"

ICL launches mid-range computer in sales drive

By Clive Cookson, Technology Editor

ICL, the leading UK computer manufacturer, this week launches its most important range of products since its Series 39 mainframes in 1985.

The company says its new mid-range computers, to be unveiled in London on Thursday, "will spearhead ICL's future drive in European and other markets."

They may also strengthen the negotiating position of STC, ICL's parent company, in its search for a large corporate partner. Many analysts believe that last week's rescue of Nixdorf by Siemens has left ICL dangerously exposed in the European computer market.

In contrast to its large Series 39 computers, which are based on ICL's collaboration with Fujitsu of Japan, the important technology for the mid-range system comes from the US.

The microprocessor at the heart of the system is a Reduced Instruction Set Computing (Risc) chip designed by Sun Microsystems. It will enable the new computers to perform faster than ICL's existing mid-range machines.

The operating system – the software which regulates the computers' internal workings and enables them to run applications programs – is the latest release of Unix, developed by AT&T.

Unix is emerging as the international standard operating system, which will replace most proprietary software during the 1990s.

Electronic circuits for the computers, code-named Unicorn, are made at ICL's factory in Kidsgrove, Staffordshire. The computers are assembled at Ashton-under-Lyne near Manchester.

ICL will sell Unicorn as a departmental computer system in its five priority market sectors: manufacturing, retailing, public administration, financial services and defence.

According to Mr Peter Bonfield, ICL chairman, mid-range systems may account for half of the company's hardware sales by 1995.

Field renews threat to force by-election

By Ian Hamilton Fazey and Michael Cassell

MR FRANK FIELD, the moderate Labour MP deselected from defending his Birkenhead seat at the next general election, yesterday *confirmed he was renewing his* threat to force a by-election if the decision was not overturned by the party leadership.

Mr Field was deselected in December. However, he withdrew a threat to force a potentially embarrassing by-election contest after assurances from Mr Neil Kinnock, the Labour leader, that his charges of Militant Tendency activities would be fully investigated.

The Labour leadership could also soon find itself involved in any moves to deselect Mr Ron Brown, the MP for Leith, following his conviction last week for causing criminal damage.

Leading party figures are angry about the MP's behaviour, *particularly immediately* after his conviction when he described the outcome as a "moral victory."

They appear ready to support moves to have Mr Brown's recent reselection overturned on the grounds that circumstances have since changed.

Mr Brown's constituency party will discuss his future at a meeting next week.

In a dossier which Mr Field intends to present to Labour's national executive committee, he alleges that the Birkenhead constituency ballot was rigged against him and that local members of trade unions had indulged in "thuggery."

The dossier, which has just been completed but has not been made public, is due to be discussed next week by the NEC.

Mr Field will be demanding inquiries into Labour Party activities at district level, as well as in the constituencies of Birkenhead, Wallasey and Wirral South.

He will also demand an inquiry by the Transport and General Workers' Union into its members' activities.

Mr Field said: "We are saying on the reselection itself that a certain number of people were counted in and that more people voted.

"We can't account for that *and on that basis alone I think* that the decision should be overturned."

He added: "If we don't get satisfaction then the voters of Birkenhead will decide. There will be a by-election."

Mr Paul Davies, the TGWU official who won the Birkenhead party's nomination defended his position. He said yesterday that he had secured the local party's backing to fight Birkenhead fairly under existing rules.

NEWS IN BRIEF

Norsk plans £50m stake in plant

NORSK HYDRO, Norway's largest chemicals producer, is planning a £50m investment in Britain which involves a near-*doubling of a plastics plant it* operates at Newton Aycliffe in north-east England.

The company intends to proceed with the project in spite of recent softening in the market for chemicals.

The expansion, due to take place over the next few years, will entail increasing the capacity of the Newton Aycliffe plant from 130,000 tonnes a year to 230,000 tonnes a year. The plant makes polyvinyl chloride (PVC), a large-selling commodity plastic.

Fixed interest for life mortgage launch

MORTGAGES with interest *rates fixed for their entire* 25-year life are introduced in the UK market from today by Bear Stearns Home Loans, a newly-established offshoot of Bear Stearns Companies, of New York.

Mortgages of this kind are common in the US but virtually unknown in the UK – although last week First Mortgage Securities offered a mortgage fixed at 12.65 per cent over 10 years.

Bear Stearns mortgages will carry a rate of 11.95 per cent for loans between £16,000 and £500,000. Applications must be made by February 1.

Stamp duty call

THE *Chancellor should scrap* stamp duty on house purchases, according to the Council of Mortgage Lenders, the recently-formed body representing most UK mortgage lenders other than the large banks.

The CML says that stamp duty makes it more difficult for first-time buyers to enter the housing market and is not spread evenly between regions.

If Mr John Major, the Chancellor, does not abolish stamp duty in the Budget, he should at least double the threshold below which house purchases are exempt to £60,000, it said.

Nat Savings down

NATIONAL Savings suffered a net withdrawal of funds of £1.5bn during 1989, after regularly pulling in positive sums of between £2bn and £3bn annually during the earlier years of the 1980s. At the end of December a total of £35.5bn remained invested.

Catering growth

CONTRACT catering in industry and the public sector is one of the fastest growing sectors of the UK catering market, according to a survey published today by the British Hotels, Restaurants and Caterers Association. The sector's turnover reached £977m in the UK last year.

LEA partners business to set up college

By Emma Tucker

THE FIRST locally-based city technology college (CTC) to operate under the partial control of a local education authority is to be announced today.

The CTC, to be based in Wandsworth, south London, will be on the premises of Battersea Park School and will offer places to 900 local students.

The college, backed by ADT, the security systems and vehicle auction group, could save face for the Government in one of its more controversial pieces of education legislation.

CTCs cater for urban students aged 11 to 18 with an aptitude for science and technology. All those set up so far have been independent of local education authority control and able to experiment freely with the curriculum and links with industry.

It was originally planned that most of the funding for CTCs would come from business sponsors. But so far the private sector has contributed only about 20 per cent of the capital costs involved, with the Government paying the rest.

The new-style CTC will be funded by the LEA, in partnership with the private sector. It will be cheaper to set up than an orthodox CTC as ownership of the site will stay with the local authority. The LEA will continue to cover basic staff salaries and running costs.

ADT will pay a modest conversion cost of about £1m for the refitting of the school. The establishment of earlierCTCs has involved the purchase of new sites, costing the Government and business sponsors up to £9m per school.

ADT will set up a foundation, which will gather together local and national business interests, to top up the college's spending every year. It will also put forward the majority of members of the college's governing body.

The foundation will also fund, *for example, the second*ment of people working in industry to the school and in-house staff training. It will also provide capital investment to re-equip the school.

Such a set-up could make LEAs more favourably disposed towards CTCs and encourage some of the big companies that have been reluctant to become involved with CTCs to do so. The Government has so far approached 1,750 companies to back the initiative, but with little success.

A second, orthodox CTC planned by Wandsworth will also have 900 places, and will be at the Mayfield Girls Secondary School, *which closed* last year.

Investment in start-ups by 3i to be boosted

By Charles Batchelor

INVESTORS in Industry (3i), Britain's largest venture capital group, plans to increase the scale of investments in start-up companies from £60m in 1989 to over £100m this year. It expects to back more than 250 start-ups, compared with 220 in 1989.

The company, which is *owned by the Bank of England* and the clearing banks, has also carried out an internal reorganisation of its start-up activities to make them more responsive to businesses seeking funds. 3i Ventures, which has specialised in helping high-technology companies in the early stages of development, will be integrated into 3i's mainstream start-up operations.

The decision to expand 3i's start-up funding comes at a time when the venture capital industry has drawn criticism for moving away from start-ups to safer, later-stage funding and management buy-outs.

Mr Derek Sach, a 3i director, said: "In a turbulent economy, many venture capital houses are shying away from start-ups as too risky an investment for their money."

Start-ups are a profitable area of business for 3i although they may take 10 years or more before they yield a return, he added.

The main constraint on the future growth of 3i's start-up activity is likely to be a shortage of credible business proposals, said Mr Sach. The group claims to fund half the UK start-up companies receiving venture capital backing.

The start-up activities of 3i will be headed by Mr Richard Summers who will combine it with his current job of running management buy-ins.

Patten blames councils for high poll tax

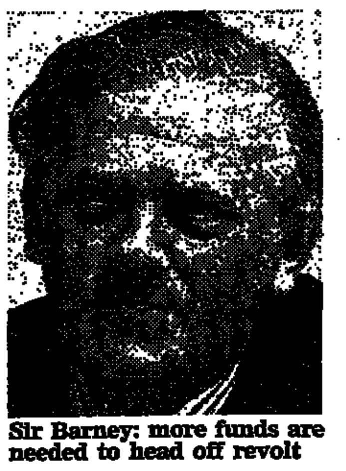
By Michael Cassell, Political Correspondent

MR CHRIS PATTEN, the Environment Secretary, yesterday acknowledged that the community charge – poll tax – bills in England and Wales may be higher than suggested by government figures.

However, he sought to lay the blame squarely on the shoulders of high-spending councils.

Mr Patten said that if local authorities spent sensibly, they could come in on target. The Government has calculated that the average national poll tax charge will be £278. Critics suggest it will be considerably higher because ministers have assumed a freeze on spending programmes and also underestimated inflation and the impact of non-payment on council budgets.

Mr Patten suggested, however, that higher poll tax charges than those calculated by his department would arise directly from councils' own decisions. He said authorities would now be more accountable and he hoped they would "behave responsibly and not put the community charge up too high."



Sir Barney: more funds are needed to head off revolt

He added: "Some will choose to spend more; some will choose more because they are inefficient and some will spend more because there are all sorts of horrors coming out of the woodwork about the way they have dealt with their accounts in the last few years."

His remarks came at the start of a week in which the Government faces a potentially serious Tory backbench revolt over its transitional arrangements for replacing domestic rates with the poll tax in April.

The Environment Secretary, together with his ministerial team and government whips will be lobbying Tory MPs up until Thursday's vote to approve the level of revenue support grant for the next financial year, in an attempt to limit the extent of the rebellion.

Although it is being made clear that no further concessions can be expected, following the £1.5bn in additional help announced last year, ministers will be emphasising that more money is likely to be available next year, closer to the general election, to further cushion the impact of the tax.

Tory MPs with London constituencies, however, continue to warn that the party could suffer in the capital's forthcoming local elections.

Tory backbench criticism continued over the weekend. Sir Barney Hayhoe, a former minister and MP for Brentford and Isleworth, said that concern within the party about the tax was now higher than at the time the legislation was debated in the Commons.

Sir Barney warned that the Government would have to make available more Treasury funds to head off a revolt. A long-standing critic of the poll tax, he added: "I am delighted now that some of my colleagues, who were less far-sighted when we discussed these things in 1987 and 1988, now realise how right we were in talking of the potential political damage of these arrangements."

In an interview on TV-am, Mr Patten emphasised that the Government was making available from central government and business ratepayers an extra 8.5 per cent for local authority budgets next year.

The Environment Secretary, who is known to have had personal doubts about the electoral impact of the tax before he took his new post, said he did not believe it was necessarily a vote loser as the new system would quickly benefit many people. He hoped that, by the next election, it would be accepted as a better way of funding local services.

Industry and local authority bodies attack 'green' bill

By John Hunt, Environment Correspondent

THE Government's "green" bill, which has its second reading in the Commons today, has been attacked by industry and local government bodies.

They fear that it is so vaguely worded that it could prove unworkable unless heavily amended. There is concern that the proposals for tighter pollution controls could add more to the costs of industry than was expected and there are worries over the cost of policing the proposals.

The *Environmental* Protection Bill brings forward measures ranging from tougher control of industrial pollution and litter in the streets to the break-up of the Nature Conservancy Council and a ban on stubble burning.

The Chemical Industries Association said that it was extremely concerned at the lack of clarity about how the important measures in the bill will be implemented.

Mr Ray Grainger, product and regulatory affairs director of the association, said the bill gave Mr Chris Patten, the Environment Secretary, wide-ranging *powers but revealed* little detail about how they would be used.

He was particularly concerned at the length of time that could be taken in getting permission for small variations in chemical manufacturing processes.

The bill requires industry to use the best available techniques not entailing excessive costs in order to prevent pollution. Previously it was only required to use the best available technology. The new definition means that management systems, the use of software and the competence of personnel can *all be called into* question by pollution inspectors.

Worries remain about the effectiveness of Her Majesty's Inspectorate of Pollution in administering the new system of integrated pollution control.

The bill stipulates that about 75 per cent of the cost of monitoring by the inspectorate will be met by industry. This is estimated by the Government at about £3m a year but business fears it could be higher.

The Confederation of British Industry wants the Government to ensure that these charges will be accurately related to the costs and that the *inspectorate is made* accountable for the way it conducts its finances.

The CBI is also predicting that, largely because of the bill, the cost of disposing of non-hazardous waste in landfill sites will rise by 40 per cent a year for the next three years.

Worries about the amount of monitoring data which companies will have to disclose on public registers are also voiced by the CBI. It believes this could result in the disclosure of commercially sensitive information. Mr Patten, who wants maximum disclosure, will clarify this point in the Commons today.

The Labour Party has put down an amendment declining to give the bill a second reading because it does not tackle the big problem of global warming – the greenhouse effect. But if the amendment is defeated it will not vote against a second reading.

The Labour-dominated Association of Metropolitan Authorities complains that the bill burdens councils with extra responsibilities – such as enforcing litter-free zones – which could be unworkable without extra money and staff.

Five conservation bodies yesterday called on the Government to remove the proposal to split up the Nature Conservancy Council.

Mentoring

Power and muscle from an extra brain

Andrew Jack on a growing phenomenon in US corporate life

Yvonne Shephard, division manager for new business development at AT&T, has found her mentor to be very valuable. She explains: "I made a presentation to senior staff, and one executive called me afterwards to say how much he liked my approach. Then, I asked his advice on an issue. Later, we chatted whenever I had to make a career decision. I don't think I'd be where I am today without him."

When Richard McCloskey, a general agent for the Minnesota Mutual insurance company, launched a mentoring programme in his firm in 1978, he soon began to see dramatic productivity increases. Each of the six recruits in his four-year training course is paired with one of his best staff. They learn on the job, but also have a personal link to a high achiever. He has a 100 per cent retention rate for trainees. The average annual earnings today of those of his staff with ten years' experience are $250,000 against an industry-wide figure of around $80,000. Both facts, he claims, are attributable in large part to mentoring. So far no-one has quit during their four-year training cycles.

Mentoring has become an essential part of corporate America's vocabulary. In 1977, the Harvard Business Review published a survey of 1,250 leading executives, nearly two-thirds of whom said they had had a mentor.

In 1986, a study by the executive search firm Korn-Ferry International indicated that mentoring was rated second only to education by corporate leaders as having a significant impact on their success.

In Greek mythology, Mentor was chosen by Odysseus to be tutor and counsellor to his son Telemachus – so the concept has had time to evolve.

But nowhere is its usage more confused than in contemporary business. To Shephard, it is a long-term, personal link between a middle and top manager which developed spontaneously; to McCloskey, it is a short-term, formalised pairing of new recruits with his top performers.

Within IBM, candidates for the top 1,500 jobs are assigned mentors, but may not even know their identities. According to Agnes Massirian, Professor of Management at Bentley college in Boston: "Mentoring has been misinterpreted as any kind of supportive relationship. I see it as at the highest end of a continuum which includes peers, coaches, and sponsors. But a mentor has power, resources, personal expertise, and love. Mentors recognise the 'protegé' as someone worthy of attention, and set very high standards for them."

Others, however, use far looser definitions. "A mentor may provide advice, act as a role model, open doors for promotion, provide opportunities for exposure and give a sense of worth to their protégé," says Kathy Kram, associate professor at Boston University's school of management. "But the word is so God-like that many people are unwilling to label themselves."

Mentoring also has its detractors. Barry Stein, president of Goodmeasure, a Cambridge, Massachusetts-based consultancy, claims: "The role of mentoring is over-exaggerated. There are problems of dependence, because the mentor may not want to let go. Giving protégés special projects can be a massive failure if they are not yet ready. There is also resentment from those who do not have mentors."

Clearly, protégés – or "mentees" – can gain from their status. Julia Ouyang, who is now studying for an MBA at the Wharton School, University of Pennsylvania, previously worked as a project engineer for 3M for two years. As a participant in a voluntary company programme for new recruits, she was mentored by Karen Borgeson, a senior project engineer, who worked in a different department – a crucial safeguard for confidentiality.

"Having a female role model was very useful," she says. "Karen helped me with specific technical problems, connected me to the right people, and gave me a feel for the corporate culture. She was the person I could talk to about office politics, and who looked out for my best interests, even when it wasn't what I wanted to hear."

"Julia probably mentored me as much as I mentored her," says Borgeson. "It was good to be able to bounce ideas off each other, especially as I was looking for promotion at the time. The chemistry was there. We got on very well, and did a lot of things together outside work, including playing tennis in the 3M league." The two still meet each other regularly.

AT&T's Shephard is one of many protégés-turned-mentor. "My mentor told me how to get ahead, and persuaded me to get a further degree," she recalls. "There was nothing in it directly for him."

Having now mentored ten people, she reflects: "It's very satisfying to see them grow. By keeping in touch, I also get lots of information about the company at the grassroots, which makes me a better manager."

Corporate mentoring has even become a model for a number of partnership activities between businesses and schools over the past decade. The New York Alliance for the Public Schools, for example, links 1,600 children to professional firms in the city each year. The students go on visits, participate in exercises and hear talks by employees.

Similar programmes around the US, mostly focused on students judged to be "at risk", have improved their attendance, motivation and performance. "I don't think a lot of these kids have role models," says Kevin Griffith, one of the mentors and an associate with First Boston Corporation. "We give them a feeling that there are opportunities out there, beyond their neighbourhoods."

Griffith, who is black, points to several mentors in his own life, including two who were from minorities. "They have a certain understanding of where you come from, and appreciate that your way of thinking is a little different," he says.

"Mentoring is implicitly widespread, but goes unrecognised," says associate professor Kathy Kram. Since white men dominate the top ranks of corporations, there is a likelihood that they will create protégés in their own image. "The result is that most mentoring relationships have historically excluded women and minorities. Cross-gender mentoring is also impeded by anxieties about getting too close, or a fear of rumours."

The growing number of formal schemes reflects corporate attempts to recruit and promote more women and minorities. "We are committed to diversification, and did not see the leadership we needed for our company in the 1990s developing internally," says Madeline Brager from the Dennison Manufacturing Corporation, which has just established a mentoring programme as part of its career development strategy for 30 staff with high potential.

Cecelia Manley, senior associate of programs for Catalyst, an organisation which helps foster women's career development in corporations, says that "while executive and high potential mentoring takes place informally, most programmes focus on the orientation and assimilation of new employees."

Not all are successful, and it can be difficult to recruit mentors because, she argues, "many feel they will be asked to form a deep personal relationship with a stranger."

"Mentoring creates an elite," adds Gerald Bush, professor of management at Brandeis University's Heller Graduate School. "It works in organisations with a competitive environment. But it's much better to create a less vertically-structured culture where everybody helps each other, with junior staff being briefed, making board presentations, and sitting on inter-departmental task forces, where they make contacts naturally and are judged on merit."

That may be good advice to senior executives with the power to restructure their organisations. But what about junior employees searching for mentors in a more hierarchical firm, without so many opportunities to be noticed?

Cecelia Manley offers several suggestions: use networks, social events, internal groups and professional associations; be prepared to take some risks so you shine; ask those with mentors how they found them; think about executives who have shown interest in your potential; don't overlook your peers as possible mentors; don't put them off by asking "Will you be my mentor?" – call potential mentors with a specific request for advice on an issue.

She also argues that companies should offer training for mentors, make it clear that they encourage these relationships in order to defuse the potential tensions of male-female pairings. "There is no evidence that the lack of a mentor impedes a person's career," says Manley. "Mentoring may not always work, either. But it is an obvious enhancement to success."

Training

Where nurturing talent is all part of the job

Charles Leadbeater on another role for the line manager

Self-managed learning and individually tailored development programmes for managers are all the rage. It is becoming accepted wisdom that companies should move away from uniform, centralised training systems towards more flexible, decentralised approaches to managerial development.

Training departments should take on the role of suppliers and facilitators of training rather than instructors. The role of trainer should be taken up by line managers, who regard it as part of their job to develop the staff for whom they are responsible.

Such an approach features strongly in many Japanese companies, where supervisors and senior workers are expected to help develop junior staff. As a result, Japanese corporate spending on training is relatively small. Most training is either done through correspondence courses or through senior staff passing on lessons to more junior staff.

Japanese companies in the UK have started to spread this approach. SP Tyres, the UK subsidiary of Sumitomo Rubber Industries, has an extensive training programme. But it does not have a training budget, nor does it attempt to measure the effectiveness of its training.

Most of its training is done in-house by line managers. The drive to improve quality is being led by teams of middle managers, shopfloor workers and office staff who have taken the responsibility to present courses to their colleagues.

As SP Tyres shows, such an approach can bring clear benefits. Training and staff development is no longer the preserve of a separate department. Instead it is spread throughout the company, helping to build up a culture of continual education and training. It becomes easier to weave training into the delivery of a corporate plan.

The senior staff responsible for the training and the junior staff being trained should both benefit. Line managers should welcome the expansion of their jobs. Their staff should welcome the chance to widen their careers.

Yet there are obstacles to the successful implementation of such an approach, even if it is confined to managers.

As a recent report by the Industrial Society and the Item research group* says, success in self-managed learning hinges not only on the attitudes of the individuals involved but also on the extent and quality of support offered by line managers. In carrying the prime responsibility for training and developing staff, line managers must expand their repertoire of skills.

To examine the extent of self-managed learning among managers the Industrial Society surveyed 145 of its member organisations. It examined to what extent training was becoming the responsibility of line managers by focusing on three techniques.

- Coaching, in which a manager guides the development of a subordinate by continuous observation, assessment and guidance.
- Mentoring, which is often a formalised system, in which a senior manager is paired with a junior colleague from another department. The senior manager acts as a sounding board and adviser to enable the junior manager to plan his or her career with a better understanding of the opportunities and power bases within the organisation.
- Career counselling, which may be provided by line managers or by a specialist unit.

The survey found that more importance was being attached to training and development than in the past, with 68 per cent of companies saying they gave it a high priority.

Most of this was focused on young managers. About 69 per cent of companies said they gave a high priority to the development of young and trainee managers, while 43 per cent said it was a priority to develop managers due for promotion.

However, in the next few years all companies intend to put more effort into training for managers whatever their age and prospects. Almost 80 per cent of companies said they planned to increase training for all managers, while 69 per cent said they planned to do more for mature managers.

Devolved forms of learning seem to be becoming more popular. About 67 per cent said line managers take the prime responsibility for developing their staff. A high proportion use some kind of self-development for at least some of their managers. Seventy per cent were increasing their use of distance learning although few had gone so far as to set up learning resource centres.

Yet only 14 per cent said all their managers had development plans drawn up with their line managers. A further third said most managers had development plans.

It found the most popular development role for a manager was as a coach. About two thirds of the organisations had set up coaching programmes and most without formal programmes used coaching in some form.

About half the organisations which use coaching train managers in the techniques beforehand.

Only 44 per cent used mentoring. Most mentors received only a week's training. Fifty two of the 145 organisations offered some form of career counselling.

Companies noted a diverse range of problems with devolved forms of management development. Lack of managerial time was the main one. The need to coach often came second to the need to manage. Managers who set off with good intentions frequently had their commitment tested and got diverted. Mobility among younger staff meant it was sometimes difficult to establish lasting relationships. In some cases, mentor and protégé simply did not hit it off.

*The Line Manager's Role in Developing Talent, a joint survey by The Industrial Society and The Item Group, is available from Sarah Byrne, Industrial Society, Robert Hyde House, 48 Bryanston Square, London W1H 7LN. Available in April, price £5.

CONTRACTS & TENDERS

REPUBLIQUE DU ZAIRE
DEPARTEMENT DU COMMERCE EXTERIEUR

SOCIETE NATIONALE DE TRADING "SONATRAD"

APPEL D'OFFRES INTERNATIONAL N°DCO/DCA/T.109/89 POUR LA FOURNITURE DE 12 BARGES ET 3 POUSSEURS

1. OBJET

La Société Nationale de Trading - SONATRAD met en adjudication publique la fourniture de :

- LOT 1 : 12 barges
- LOT 2 : 3 pousseurs

destinés à l'OFFICE NATIONAL DES TRANSPORTS "O N A T R A" - Les fournitures seront financées par un prêt accordé par la Banque Africaine de Développement (B.A.D.) au Conseil Exécutif de la République du Zaïre.

Les sommes accordées au titre de ce prêt seront utilisées notamment pour effectuer les paiements autorisés dans le cadre du marché pour lequel le présent Appel d'Offres est lancé.

2. DESCRIPTION DES FOURNITURES

Le présent Appel d'Offres porte sur la fourniture CIF KINSHASA du matériel suivant :

LOT 1: 1 - A : 6 Barges CARGO C 500
1 - B : 6 Barges passagers C 500

LOT 2: 2 - A : 2 Pousseurs de 900 CV
2 - B : 1 Pousseur de 450 CV

Le marché comporte deux lots distincts mais indivisible chacun en ce qui le concerne.

Le soumissionaire est libre d'offrir pour un lot, ou la totalité des lots.

3. RETRAIT DU DOSSIER D'APPEL D'OFFRES

Le dossier complet d'Appel d'Offres peut être obtenu contre remise d'un chèque barré d'un montant de 150.000 Zaires ou 15.000 Francs Belges, à partir du 4 décembre 1989 aux adresses suivantes :

1. SOCIETE NATIONALE DE TRADING - "SONATRAD"
BUILDING C.C.I.Z. - 22è NIVEAU - B.P. 15.711
KINSHASA/I
TELEPHONE: 30.592-30.598-32.304 - TELEX: 21.632
TELEFAX : 30.592
REPUBLIQUE DU ZAIRE

2. SOCIETE NATIONALE DE TRADING - "SONATRAD"
AGENCE DE BRUXELLES
15, RUE DE LA LOI, BOITE 052
B - 1040 BRUXELLES
TELEPHONE: 02/230.37.97 - TELEX : 26.444
TELEFAX : 02/230.47.62
ROYAUME DE BELGIQUE

3. SOCIETE NATIONALE DE TRADING - "SONATRAD"
AGENCE DE LUBUMBASHI
225, AVENUE M'SIRI - B.P. 1573
LUBUMBASHI
TELEPHONE : 22.53.71-22.52.49 - TELEX : 41.034
TELEFAX : 3816
REPUBLIQUE DU ZAIRE

4. PARTICIPATION

Sauf toute Entreprise Zairoise fournissant des produits manufacturés localement (et qui bénéficierait d'une marge préférentielle de 15%), la participation à la concurrence est ouverte à égalité de conditions à tout fournisseur ressortissant des pays membres de la B.A.D. et des pays participant au FAD.

5. REMISE ET OUVERTURE DES OFFRES

Les offres seront remises sous double enveloppe cachetée, par envoi postal recommandé ou par porteur contre accusé de réception à :

SOCIETE NATIONALE DE TRADING "SONATRAD"
BUILDING C.C.I.Z. - 22è NIVEAU - B.P.15.711
KINSHASA/I
TELEPHONE : 30.592 - 30.598 - 32.304 - TELEX : 21.632
TELEFAX : 30.592
REPUBLIQUE DU ZAIRE

avant le 19 février, 1990 à 10 heures locales, date et heure auxquelles il sera procédé à l'ouverture des offres en la salle de réunion du 22è niveau Building C.C.I.Z.

LA SOCIETE NATIONALE DE TRADING "SONATRAD"

LONDON BOROUGH OF WALTHAM FOREST MICRO COMPUTER MAINTENANCE

The Council is seeking to invite tenders for the maintenance of a large number of micro computers, mainly Apricot.

Firms wishing to apply for tender should write enclosing a cheque for £50 (refundable on submission of a tender) to the address below no later than 31st January, 1990, supported by the following:

(i) Company Accounts for the most recent two financial years.
(ii) Name and address of bankers.
(iii) Names and addresses of at least three organisations for whom similar work has been undertaken in the past three years.
(iv) Company structure, number of employees, quality approvals held, membership details of any regulatory or advisory bodies.
(v) Any relevant descriptive literature or data sheets.

The Director of Finance
London Borough of Waltham Forest
Town Hall, Forest Road
London E17 4JF
Fax No: 01-527 5544 ex. 4388

LEGAL NOTICES

No 788 o/s of 1989

In the HIGH COURT of JUSTICE,
Chancery Division, Manchester District Registry, Mr. District Registrar Beattie.
In the matter of JAMES CROSBY GROUP PLC And in the Matter of the Companies Act 1985

NOTICE is hereby given that a Petition was on the 6th day of December 1989 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company by the cancellation of the sum of £2,808,870.66 standing to the credit of the share premium account of the Company.

And NOTICE is further given that the said Petition is directed to be heard before His Honour Judge O'Donoghue sitting as a Judge of the High Court at 184 Deansgate, Manchester M3 3WB on the 26th day of January 1990.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of that hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the under-mentioned Solicitors on payment of the regulated charge for the same.

Dated this 15th day of January 1990
Slater Heelis, of 71 Princess Street, Manchester M2 4HL.
Solicitors for the above-named Company.

COMPANY NOTICES

MBE FINANCE N.V.
U.S. $90,000,000
Guaranteed Reverse Basis Bonds Due 2000 unconditionally and irrevocably guaranteed by MITSUBISHI BANK (EUROPE) S.A.

Notice is hereby given that for the six month Interest Period from, and including, 12th January, 1990 to, but excluding, 12th July, 1990 that the following Rates of Interest will apply.

SERIES A BONDS	The Rate of Interest is 8.6625% per annum. The Interest Amount payable on 12th July, 1990 will amount to US$217.77 per US$5,000.00 in principal amount.
SERIES B BONDS	The Rate of Interest is 8.8125% per annum. The Interest Amount payable on 12th July, 1990 will amount to US$221.54 per US$5,000.00 in principal amount.
SERIES C BONDS	The Rate of Interest is 8.9125% per annum. The Interest Amount payable on 12th July, 1990 will amount to US$224.05 per US$5,000.00 in principal amount.

By: The Mitsubishi Bank, Limited
London Branch
As Agent Bank

15th January, 1990

GENERAL MOTORS CORPORATION

Further to the DIVIDEND DECLARATION OF 7th December 1989 NOTICE is now given that the following distribution will become payable on and after 15th December 1989 against presentation to the Depositary (as below) of Claim Forms listings Bearer Depositary Receipts.

GROSS DISTRIBUTION	3.75 CENTS
LESS 15% US WITHHOLDING TAX	0.5625 CENTS
	3.1875 CENTS PER UNIT
CONVERTED at 1.6095	1.9804 PENCE PER UNIT

Barclays Bank PLC
Stock Exchange Services Department
54 Lombard Street, London EC3P 3AH

"Art will always be art."

Johann Wolfgang von Goethe

Mercedes-Benz cars have always been among the most sophisticated and fascinating automobiles of their time.

Spanning more than a century, the history of Mercedes-Benz is a chronicle of pioneering achievements in automotive technology: From the first protective safety body to the electronically-controlled Seatbelt System, the Airbag and the Anti-Lock Braking System.

The history of Mercedes-Benz is a portfolio of classic design. Never merely following temporary fashion trends, but always retaining the distinctive character and identity of the marque. Daimler-Benz, the parent company of Mercedes-Benz, is committed to its leading role in the automotive world.

The automobile is and will remain the driving force at Daimler-Benz.

Yet Daimler-Benz is more than just automobiles. Daimler-Benz is aerospace, aviation, advanced electronics and communications.

With all of these resources at their disposal, Mercedes-Benz engineers will continue the science – and art – of creating the world's finest automobiles.

DAIMLERBENZ

Daimler-Benz AG, Mercedesstraße 136, D-7000 Stuttgart 60, Federal Republic of Germany

DIARY DATES

PARLIAMENTARY

Today

Commons: Environmental Protection Bill, second reading.
Lords: Food Safety Bill, committee.

Trade Union Act 1984 (Amendment) Bill, committee.
Select committees: Televising of Commons Proceedings: subject, assistance for the deaf. Witnesses: Royal National Institute for the Deaf, British Deaf Association, BBC, IBA and Sky Television. (Room 8, 6 p.m.)

Public Acounts: subject, text processing in the Civil Service. Witnesses: Mr J. B. Unwin, Customs and Excise, and Sir Michael Quinlan, Ministry of Defence. (Room 16, 4.30 p.m.)

Treasury and Civil Service: subject, international debt strategy. Witnesses: War on Want and Oxfam. (Room 15, 4.30 p.m.)

Tomorrow

Commons: Coal Industry Bill, remaining stages.
Lords: Courts and Legal Services Bill, committee.

Motions on Electricity Supply Order for Northern Ireland and Health and Personal Social Services Order for Northern Ireland.
Committee on a private bill: King's Cross Railway Bill. (Grand Committee Room, Westminster Hall, 10.30 a.m.)

Wednesday

Commons: Debate on parliamentary pensions.

Pensions (Miscellaneous Provisions) Bill, remaining stages, and opposed private business after 7 p.m.
Lords: Short debate on the prospect of German unification, followed by short debate on tax concessions on private health care insurance schemes.

Question to Government on policies concerning road and rail transport.
Select committees: Agriculture: subject, fish farming. Witnesses: Scottish Salmon Growers Associaton, NFU for Scotland, British Trout Association, NFU, Ulster Farmers Union, Shellfish Association of Great Britain, Association of Scottish Shellfish Growers. (Room 20, 10.30 a.m.)

Environment: subject, pollution of beaches. Witness; Public Health Laboratory Service. (Room 8, 10.30 a.m.)

Energy: subject, fast-breeder reactor. Witnesses: Mr J. G. Collier, Mr B. Eyre, and Mr A. Broomfield, UK Atomic Energy Authority. (Room 21, 11 a.m.)

Trade and Industry: subject, British Aerospace and Rover. Witnesses: Professor Roland Smith and others from British Aerospace. (Room 15, 11 a.m.)

Foreign Affairs: subject, operation of the Single European Act. Witnesses: Mr Nigel Spearing MP, Mr Robert Hicks MP, and Dr Christopher Ward of the European Legislation Committee. (Room 6, 11.30 a.m.)

Employment: subject, the employment service. Witnesses: Employment Department officials. (Room 20, 4.15 p.m.)

Public Accounts: subject, agricultural investment grants. Witnesses: officials from the Ministry of Agriculture and the Scottish Department of Agriculture and Fisheries. (Room 16, 4.15 p.m.)

Social Services: subject, Government plans for the National Health Service. Witness: Mr Kenneth Clarke, Health Secretary. (Room 8, 4.15 p.m.)

Transport: subject, aircraft cabin safety. Witness: Air Transport Users Committee. (Room 17, 4.15 p.m.)

Trade and Industry: subject, British Aerospace and Rover. Witnesses: Lord Young and Sir Bryan Hayes. (Room 15, 4.15 p.m.)

Procedure: subject, working of the select committee system. Witness: Mr Terence Higgins MP. (Room 6, 5 p.m.)
Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 10.30 a.m.)

Thursday

Commons: Motion on English Revenue Support Grants.
Lords: Food Safety Bill, committee.

Motion on Driving Licences (Community Driving Licence) Regulation.
Committee on private bill: King's Cross Railways Bill. (Grand Committee Room, Westminster Hall, 10.30 a.m.)

Friday

Commons: Private members' motions.

FINANCIAL

TODAY
COMPANY MEETINGS-
Concentric, Penns Hall Hotel, Penns Lane, Sutton Coldfield, 2.30
BOARD MEETINGS-
Finals:
Evode Group
London Scot. Bank
Sturge Holdings
Interims:
Excalibur Group
Fletcher King
Harrison Inds.
Mosaic Inv.
Severn Trent
Telford
DIVIDEND & INTEREST PAYMENTS-
Agricultural Mortgage Corp. 6¼% Db. 1992/94 3⅛pc.
Do. 5½% Db. 1993/95 2¾pc.
Alan Paul 0.9p
Am. Medical Int. 9⅞% Un. Ln. 2011 4$\frac{15}{16}$pc.
Anglo Irish Bank 1.0855p
BCE 63cts.
Barclays Bank 12% Un. Cap. Ln. 2010 6pc.
Cape 2.5p
Charter Cons. (Reg) 6.5p
Do. (Br) 6.5p
Chrysler 30cts.
Churchbury Estates 4.2% Cnl. Pf. 2.1p
Clyde Blowers 5.32p
Concentric 8.55p
Dawson Finance 9⅜% Gtd. Rd. Cv. Pf. 2004 4$\frac{11}{16}$pc.
Edinburgh Inv. Tst. 3¾% Db. 1998 1⅞pc.
Elliott (B.) 1.25p
European Leisure 1p
Evode Cv. Cm. Rd. Pf. 3.5p
GEI Int. 2.35p
Govett Strategic Inv. Tst. 10¾% Db. 2016 5⅜pc.
Hambros 3.6p
Do. N/Vtg. 2.1p
Helical Bar 5.25% Cv. Cm. Rd. Pf. 2012 2⅝pc.
Jarvis Porter 1.4p
LASMO 9⅝% Cm. Rd. Pf. 4$\frac{13}{16}$pc.
Life Sciences Int. 8% Cm. Cv. Rd. Pf. 4p
Lucas Inds. 10¼% Un. Ln. 1992/97 5⅛pc.
M & G Dividend Fd. 13.492p
Marling Inds. 1.3p
Motorola 19cts.
North Surrey Water 4% Db. 2pc.
Do. 4¼% Db. 2⅛pc.
Do. 5¼% Db. 2⅝pc.
Do. 7¼% Rd. Db. 1991/93 3⅝pc.
Occidental Petroleum 62.5cts.
Pacific Gas & Elect. 35cts.
Quaker Oats 35cts.
Quebec Central Railway Cap. 2.5pc.
Readicut Int. 0.63p
Royal Tst. Govt. Sec. Ptg. Rd. Pf. 2.25p
Shanks & McEwan 8.5p
Sheraton Securities 2p
600 Grp. 2.45p
Sweden (Kingdom of) 11% Ln. 2012 5½pc.
Treasury 13% 1990 6½pc.
Treasury 9½% Ln. 1999 4¾pc.
Witan Inv. 3.4% Cm. Pf. 1.7p
Woolwich Equitable Bldg. Soc. Fltg. Rate Nts. 1993 £395.98
Yelverton Invs. 8% Cv. Un. Ln. 1997 4pc.
TOMORROW
COMPANY MEETINGS-
Apollo Metals, National Motorcycle Museum, Solihull, West Midlands, 10.30
Kwik Save, Mollington Banastre Hotel, Parkgate Road, Chester, 12.00
Speyhawk, Ironmongers' Hall, Aldersgate Street, Barbican, E.C., 2.30
Wellcome, Grosvenor House Hotel, Park Lane, W., 11.00
BOARD MEETINGS-
Finals:
Eurotherm Intl.
London & Clydesdale Hldgs.
Interims:
Cantors
Clark (Matthew)
Debenham, Tewson & Chinnock
Empire Stores Grp.
Hampson Inds.
Jurys Hotels
Palmerston
Sommerville (Wm)
DIVIDEND & INTEREST PAYMENTS-
Anglo & Overseas Tst. 4½% Cnl. Pf. 1.575p
British Steel 2.75p
Embassy Property Grp. 2p
European Inv. Bank 9% Ln. 2001 4½pc.
Futura Hldgs. 0.5p
McLeod Russel 2.75p
SmithKline Beecham 2p
Southnews 1.6p
Treasury 8% Cv. 1990 4pc.
Treasury 8½% Ln. 2007 4¼pc.
WEDNESDAY JANUARY 17
COMPANY MEETINGS-
Capital Radio, Duke of York's Theatre, St. Martins Lane, W.C., 11.00
MEPC, C.B.I., Centre Point, New Oxford Street, W.C., 12.00
Shani Group, Marriot Hotel, 10, Grosvenor Square, W., 10.20
Windsor, Lyon House, 160/166, Borough High Street, S.E., 11.30
Wolverhampton & Dudley Breweries, Station Hotel, Dudley, West Midlands, 12.00
BOARD MEETINGS-
Finals:
Burndene Invs.
First Leisure Group
Greenwich Resources
Group Development Cap Tst.
Lookers
Interims:
Barbour Index
Dale Pack.
DIVIDEND & INTEREST PAYMENTS-
Anglia Bldg. Soc. Fltg. Rate Nts. Jan 1998 £191.4
Apollo Metals 1.33p
Bank of New York O'seas Fin. Gtd. Fltg. Rate Sub. Nts. Jan 1998 $225.21
Barings B.V. Gtd. Fltg. Rate Cap. Nts. 2001 $453.61
Chemoxy Int. 3.5p
Citicorp O'seas Fin. Gtd. Fltg. Rate Nts. 1992 $220.42
Creditanstalt Bankverein Sub. Fltg. Rate Nts. 1994 $228.81
Merrydown Wine 1p
N'wide Bldg. Soc. Fltg. Rate Nts. 1996 £191.88
New Throgmorton Tst. (1983) 2p
Northern Ind. Improvement Tst. 13p
Property Partnerships 2.25p
SCA Cap. 4¼% Gtd. Cv. Bd. 2004 2⅛pc.
Sanwa Int. Fin. Gtd. Fltg. Rate Nts. 1993 $4491.39
Treasury 2½% I.L. 2024 £1.4718
Westbury 3.25p
York Tst. 1p
Young (H.) 4p
Zentralsparkasse und Kommerzialbank Wien Fltg. Rate. Sub. Nts. 1991 $230.00
THURSDAY JANUARY 18
COMPANY MEETINGS-
BOC, Savoy Hotel, Strand, W.C., 11.00
Bridport-Gundry, The Arts Centre, South Street, Bridport, Dorset, 12.00
Burns-Anderson, Holiday Inn, 2, Lower Castle Street, Bristol, 12.00
Govett Atlantic Inv. Tst., Shackleton House, 4, Battle Bridge Lane, S.E., 12.30
Morland, The Brewery, Ock Street, Abingdon, 12.30
River Plate & Gen. Inv. Tst., 197, Knightsbridge, S.W., 11.30
Strata Invs., 3, Finsbury Avenue, E.C., 2.30
BOARD MEETINGS
Finals:
Anglia TV
Colefax & Fowler Grp.
Davenport Vernon
Denmans Electrical
Elandsrand Gold Mining
Macarthy
Selective Assets Tst.
South African Land & Expln.
Southvaal
Vaal Reefs Exploration & Mining
Welkom Gold
Western Deep Levels
Witan Inv.
Interims:
Allied Leisure
Fitch Lovell
Free State Development & Inv. co.
Jarvis
Mitie
Mountleigh
Stanley Leisure
Symonds Eng.
DIVIDEND & INTEREST PAYMENTS-
City of London PR Grp. 0.95p
Drummond Grp. 1p
Echlin 17.5cts.
Fuller, Smith & Turner A 1.85p
M & G Grp. 8p
MEPC 12.25p
Midsummer Leisure 3p
Quadrant Grp. 1.5p
Smith (James) Estates 1p
TR Australia Inv. Tst. 5% Cm. Pf. 2½pc.
West Tst. 0.25p
FRIDAY JANUARY 19
COMPANY MEETINGS-
MY Hldgs., Moxon Street, Barnet, Herts., 10.00
U.K. Land, 145, Kensington Church Street, W., 11.00
BOARD MEETINGS-
Finals:
Cardiff Prop.
L.P.A. Inds.
Norfolk House Grp.
St. Andrew Tst.
Interims:
Associated British Consultants
DAB Invs.
DC Cook
North of Scotland Inv. Co.
Smith (David S.)
DIVIDEND & INTEREST PAYMENTS-
Anglo Am Co of South Africa 85cts.
Bellway 7p
Booth Inds. 0.7p
Bromsgrove Inds. 1.3p
Capital Radio 12p
Chancery 3.1p
Channel Express 1p
Elswick 0.2p
Equity Consort Inv. Tst. 4.5p
Exchequer 9¾% 1998 4⅞pc.
Hill Samuel Fltg. Rate Nts. 2016 $475.97
Kwik Save 7.3p
Leigh Interests 2.22p
Multitrust 1p
Phoenix Timber 1.1p
Shani Grp. 2.4p
Stoddard Sekers 0.55p
Treasury 2% I.L. 2006 £1.65
Wells Fargo 90cts.
SATURDAY JANUARY 20
DIVIDEND & INTEREST PAYMENTS-
Elys (Wimbledon) 7¼% 1st. Mtg. Db. 1986/91 3⅝pc.
Do. 9¾% Un. Ln. 1995/99 4⅞pc.
SUNDAY JANUARY 21
DIVIDEND & INTEREST PAYMENTS-
Fleming Fledgling Inv. Tst. 6¼% Db. 1988/93 3⅛pc.

Trade fairs and exhibitions: UK

Current
International Toy Fair (01-226 6653) (until January 18)
Harrogate

January 18-21
Antiques Fair (04447 2514)
Kensington Town Hall

January 22-27
International Hotel and Catering Exhibition - HOTELYMPIA (01 948 9900)
Olympia

January 23-25
Enterprise Exhibition (01-642 7688)
Barbican, London

January 27-31
British International Toy and Hobby Fair (01-701 7127)
Earls Court

January 30-February 1
Construction Industry Computer Exhibition (01-251 5885)
Barbican

February 4-8
International Spring fair (01-855 9201)
NEC, Birmingham

February 7-9
Undersea Defence Technology Conference and Exhibition (0892 44027)
Novotel, London

February 7-11
Scottish Boat, Caravan, Camping and Leisure Show (041-221 1769)
Exhb and Conf Centre, Glasgow

February 13-15
Corporate Computer Security '90 International Exhibition and Conference (0733 60535)
Novotel, Hammersmith

February 14-16
The Property Business + Enterprise 3 (01-834 1717)
Barbican, London

February 20-22
London Food Exhibition (01-486 1951)
Wembley Centre

Overseas exhibitions

Current
Carpets, Rugs, Decorative Goods and Home Accessories Exhibition; Jewellery, Gold and Silverware, Clocks, Watches and Gifts Exhibition; and 25th International Lighting Exhibition - LUMINAIRE (01-225 5566) (until January 17)
Paris

January 26-27
19th International European Coin Convention Fair (061) 686 20 20
Basle

February 8-14
International Toy and Hobby Fair (01-930 7251)
Nuremberg

February 9-18
International Boat Show (01-486 1951)
Helsinki

Business and management conferences

January 16-17
Spectra: Electronic marketing 1990 in retailing and finance (0734 320177)
Regent Crest Hotel, London

January 17
Gouldens: Cross border mergers and acquisitions seminar (01-583 7777)
Mayfair Inter-Continental Hotel

January 22
Profex: The United Kingdom property insolvency conference (01-950 0400)
The London Marriott Hotel

January 22-23
Financial Times: Creating a Euro-workforce in the 90s (01-925 2323)
Hotel Inter-Continental, London

IBC: Global emerging stock markets - the potential for the 1990s (01-637 4383)
Portman Inter-Continental Hotel, London

January 23
Joint CB/British Gas Conf: Tunisia - Future prospects for the UK (01-379 7400)
CBI Centre Point, London

January 25
Hawksmere: 1992 - Opportunities and pitfalls for the European insurance industry (01-824 8257)
Scandic Crown Hotel, Brussels

Institute of Personnel Management: Pay in the 1990s (Compensation Forum) (01-946 9100)
London

January 31-February 1
Concorde Services: Broadcast Europe 1990 - 4th annual satllite television marketing conference (01-743 3106)
Inn on the Park, London

February 7
BCB Conf: Disaster relief and mitigation (01-222 3651)
QEII Conf Centre, London

February 12-13
Financial Times: Commercial aviation in the Asia-Pacific region to the end of the century and beyond (01-925 2323)
Singapore

February 13-14
National Materials Handling Centre: Warehouse & distribution software conference - technology for profit (0234 750323)
Ramada Inn, West London

February 15
Design for Europe conference (01-228 8034)
QEII Conf Centre, London

February 19
Technology Forum: Risk assessment techniques and fire safety (01-519 4105)
London Tara Hotel

February 20
Information for Energy Group: Oil price information (01-636 1004)
Institute of Petroleum, London

February 22
PCTS: ESOPs, share schemes, and performance related pay for executives and employees (01-284 0470)
Cafe Royal, London

Feberuary 22
Tolley: International tax planning conference (01-680 5682)
London Press Centre

February 28-March 1
Finanacial Times Conference: Cable television and satellite broadcasting (01-925 2323)
Hotel Inter-Continental, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

CONTRACTS

£17.3m Birmingham office development

BALFOUR BEATTY BUILDING has won four contracts totalling £29m. As part of the redevelopment of the commercial centre of Birmingham, the company has received a £17.3m order from the Shinfield Partnership, to provide about 20,000 sq metres of office space at the former Barclays Bank building in Colmore Row. The listed external facades and the central banking hall within the building will be retained.

The company has also been awarded a £3.7m contract by Rowntree Mackintosh of York to design and build a 4,000 sq metre factory which will used for the production of Polo mints.

A £4m contract has been awarded by Guardian Assurance for the construction of two office buildings in Colchester. The President of the States of Guernsey has also placed a £4m order for an eight-storey office building and a two-storey car park at Charroterie, St Peter Port.

£30m workload for Lovell Group

The **LOVELL GROUP** has been awarded contracts valued at more than £30m.

Lovell Partnership Homes has secured £17m-plus worth of contracts. The largest is a £11.4m design and build contract for 369 homes at St Mellons, Cardiff for Hafod Housing Association. Other design and build contracts are for 47 homes at Milton Keynes worth £1.8m and 44 homes at Derby worth £1.5m, both for North Housing Association, and a scheme for seven homes at Culmstock, Devon, worth £300,000, for Devon and Cornwall Housing Association. Other projects include 27 homes for Rugby Borough Council worth £1.8m and 14 at Littlestoke for Northavon District Council worth £500,000.

Bullock Construction has been awarded contracts worth £6.1m. The largest is a £1.5m contract to modernise 49 airmen's married quarters at RAF Coningsby, Lincolnshire, for the north east region of the PSA.

At Chell Heath, Stoke-on-Trent, Bullock has won a £1.1m contract to upgrade 53 local authority homes for the City of Stoke-on-Trent, and at Ditchling Road, Brighton, the company is to carry out concrete repairs and external refurbishment to two 16-storey blocks of flats under a £1m contract for Brighton Borough Council.

Lovell Construction has been awarded a £6.9m contract to build 114 local authority homes for Crawley Borough Council.

Expansion projects at Marks & Spencer

BOVIS CONSTRUCTION, a P&O company, has been awarded three contracts by Marks & Spencer worth over £14m to carry out projects in Bath, Orpington and Thurrock.

Work has started in Bath on an 11-month multi-phased extension. More than 7,000 sq ft of sales floor will be created through building of offices and staff facilities on the roof, and conversion of the old offices and stock rooms on the first and second floors.

In Orpington, Kent, a store will be created in the Walnut Centre. Work is underway on a six-month contract to strip and refurbish a former supermarket to provide 26,000 sq ft of sales floor which will concentrate on food sales.

Offices and staff amenities will be on the first floor. The 300-space multi-storey car park above the store will be upgraded with new lighting systems and ticket barriers.

Fitting-out work has started on an eight-month contract at a store on the Lakeside Development outside Thurrock, Essex. Built for Capital & Counties, the store will provide an 80,000 sq ft sales floor.

A two-storey shopping mall will be created around a central atrium with two wall climbing lifts. Staff and office facilities, totalling some 13,000 sq ft, will be on the first floor. Stock rooms for textiles and food will be on the ground and first floors.

Southwark business units

Gallery Estates has awarded a management contract valued at £1.6m to **JOHN LELLIOTT MANAGEMENT** for the construction of business units in Pilgrimage Street, London SE1.

Work has started and the project is scheduled for completion in October.

£46.7m orders won by Lilley Group

LILLEY has won contracts totalling £46.7m. Orders were received by: Eden Construction, £4m including a £1.6m contract for a water treatment works; Lilley Construction, £8.7m, including a £2m contract for an extension to the Queen Alexandra Hospital in Portsmouth; Lilley Homes, £2.5m; MDW, £25.6m, including a £10.3m contract to construct a retail distribution centre in Grangemouth and a £10m contract to extend the UK HQ of Scottish Amicable in Stirling.

King's Cross waterside scheme

The building contract for the first phase of the 160,000 sq ft waterside office development, Regent's Wharf, which is located at King's Cross alongside Regent's Canal, has been awarded to **WALLIS**, part of the Beazer Group, by the developers Estates & General Investments.

The Phase I contract is valued in the region of £10m and includes 60,000 sq ft gross of refurbishment and 40,000 sq ft gross of accommodation in three buildings. The space to be refurbished has been pre-let to Wolff Olins whilst the new accommodation ranging from 7,000 sq ft to 14,000 sq ft is available for let or sale.

Work on site will start at the end of the month with completion set for spring 1991. The scheme, designed by architects Rock Townsend, will include high quality offices with raised floors, suspended ceilings, recessed lighting and double glazing.

HALLAMSHIRE CONSTRUCTION has been awarded contracts totalling £7m. They include office schemes in Sheffield and Peterborough worth £3m and fitting out contracts for Storehouse and Grand Met in the Midlands, East Anglia and London worth £1.5m.

The company is also involved in a number of community projects including a new church in Sheffield and a single-parent hostel in Cambridge, each valued at £500,000.

APPOINTMENTS

Alexanders Discount promotions

■ ALEXANDERS DISCOUNT, a wholly-owned subsidiary of Credit Lyonnais Capital Markets, has promoted **Mr Paul Stevenson**, chief accountant, to managing director, finance; and **Mr Gavin Raeburn-Ward**, head of information technology, to general manager, administration. **Mr David Paul Fincham**, a director, has retired. **Mr Martin Frewer** becomes a director of Alexanders Discount Futures.

■ **Mr Paul Dodd** has been appointed sales director of CRUSADER INSURANCE, Reigate, a CIGNA company. He was regional manager with National Financial Management, a Target Group subsidiary.

■ LANDIS & GYR COMMUNICATIONS (UK) has appointed **Mr Terry Clements** as executive chairman. He was managing director, Landis & Gyr (UK).

■ **Mr John A. Smith** has been appointed sales director of CASTELL SAFETY INTERNATIONAL, a subsidiary of Halma.

■ LIBERTY LIFE ASSURANCE CO has appointed **Mr David Pritchard** as sales director. He was with Hill Samuel Investment Services.

■ BLUEBIRD TOYS has promoted **Mr James Trumper** to group finance director. He was financial director of subsidiary Peter Pan Playthings.

■ BARNES MENZIES FRENCH, Milton Keynes, has appointed **Mr Geoff Lusk** as personal financial planning director.

■ CENTRE-FILE, National Westminster Bank's computer services subsidiary, has appointed **Mr Bill Barr** as a director.

■ ALLDERS DEPARTMENT STORES has appointed **Mr David Batt** and **Mr Richard Trickett** to the board.

■ **Mr John Hindle** and **Mr Paul R. Turner** have been appointed non-executive directors of ROCK.

■ The NATIONAL GRID COMPANY, currently operating as the national grid division of the Central Electricity Generating Board, has appointed (designate posts until privatisation) **Mr Martin O'Donovan** as treasurer - he joins from BTR where he was deputy treasurer - and **Mr Peter Galbraith** as projects investment controller, previously project services manager for Conoco UK.

■ SENIOR ENGINEERING GROUP, Rickmansworth, has appointed **Mr R.D. Bebb**, managing director of the company's Australasian interests, to the board with responsibility for the whole of the thermal engineering business, including Australasia.

■ **Mr Geoff Harrop** has been appointed managing director of housebuilder WHELMAR (CHESTER). He was sales director, and takes over from **Mr David Evans** who moves to the new post of director of research and development on the group's main board.

COMPANY NOTICES

BRAZILIAN EQUITY HOLDINGS S.A.

Registered Office: LUXEMBORG, 19 Rue Theodore Eberhard

Notice of Annual General Meeting of Shareholders

The annual general meeting of shareholders will be held at 19 Rue Theodore Eberhard, at Luxembourg on 5 February 1990 at 12 noon for the purpose of considering and voting upon the following matters:

1. To hear and accept the reports of:
(a) the directors;
(b) the commissaires
2. To approve the balance sheet and the profit and loss account for the financial year ended 30 September 1989.
3. To discharge the directors and the commissaires with respect to their performance of duties during the financial year ended 30 September 1989.
4. To approve the payment of the directors' fees for the respective year.
5. To elect the directors to serve until the next annual general meeting of shareholders.
6. To elect the commissaires to serve until the next annual general meeting of shareholders.
7. Any other business.

The shareholders are advised that no quorum for the annual general meeting is required and that decisions will be taken by the majority of the shares present or represented at the meeting.

In order to take part in the general meeting of shareholders of 5 February 1990, the owners of bearer shares are required to deposit their shares three business days before the meeting at the registered office of the company or with Banque Generale du Luxembourg S.A., 27 Avenue Monterey, Luxembourg.

Bearer or registered shareholders should lodge their proxies with the company three business days before the meeting.

THE BOARD OF DIRECTORS

LEGAL COLUMN

Law Society proposes amendments to bill

By Robert Rice, Legal Correspondent

THE LAW SOCIETY has produced a list of 49 amendments which it hopes to persuade peers to adopt, in advance of the Committee Stage of the Courts and Legal Services Bill which begins in the House of Lords tomorrow.

The list is not exhaustive. In an accompanying paper, the society warns peers that there are more to come. It seems that in spite of its earlier protestations about welcoming the bill, in reality there is very little *about it which the society would be* prepared to see enacted unchanged.

One of its big concerns is with Part I of the bill which relates to the streamlining of civil court business through the transfer of all but the most complex or important cases from the High Court to the county court. Concern centres on the remedies which will be available to litigants in the county court under the new regime.

As drafted, the bill enables the Lord Chancellor, by secondary regulation, to prescribe which High Court remedies should not be available in the county court. The society's amendment would remove this secondary regulation-making power and set out the remedies available in the county court in the legislation. The county court would thus be able to make all orders except those related to judicial review.

The society's reason for putting forward this amendment is that it believes that the Lord Chancellor is considering removing the county court's power to issue Mareva injunctions (orders preventing defendants from removing their assets outside the jurisdiction of the court) and Anton Piller orders (giving the power of entry, search and seizure over documents and records which may be relevant to a civil action, to prevent defendants destroying them or spiriting them away).

Its justification for this amendment is that Marevas and Anton Piller orders are sometimes used in matrimonial disputes which normally commence in the county court.

It is doubtful, however, that the *society's amendment will receive the* support of the majority of commercial lawyers. Indeed it is more probable that the majority of them will actively support the Lord Chancellor's intention to remove the power of the county courts to make such orders.

There is growing concern among commercial practitioners, both solicitors and barristers, that the use of these emergency orders is already inadequately controlled by the courts and wide open to abuse.

They are concerned in particular about serious defects in the Anton Piller procedure (so called after the case in which the order was first made). Some of those concerns were outlined to the Bar Conference last October by Mr Hugh Laddie QC, a leading commercial silk.

Mr Laddie argued that the way in which the orders were obtained (usually *ex parte* and in secret), executed and finally disposed of was so heavily weighted in favour of the plaintiff that it was inevitable that they would be abused.

There is no doubting their effectiveness – witness the frequency with which they are sought and granted – but if successful they can administer a true knockout blow to the defendant. When used in conjunction with Marevas they can effectively close a defendant's business.

Although the procedure puts an obligation on the judge to analyse the evidence and consider any possible defences to an application for such an order, as Mr Laddie pointed out, the experience of the past 15 years has shown that some serious lacunae in plaintiffs' cases have slipped by the *courts*.

Once in place the order represents a judicial pronouncement of *prima facie* dishonesty against the defendant company which remains until the defendant has the order set aside.

In general however, courts tend to postpone consideration of applications to discharge until the commencement of the trial. As a result, many defendant companies decide to shoulder the costs of an Anton Piller and live with the stigma that they were subject to an *order* which they did not *try to* have set aside.

Given these reservations and the widening ambit of Marevas, few commercial practitioners would be happy to see these emergency orders dealt with on a regular basis in the county courts.

The most obvious way of ensuring that procedures relating to emergency orders are tightened up is to ensure that power to grant them is vested only in the High Court – a view which the Lord Chancellor appears to share at the moment.

In Part II of the bill the society has concerns in most areas but in particular about the procedures for extending rights of audience, regulating conveyancing by authorised practitioners and the lifting of the statutory ban on solicitors being allowed to form multi-disciplinary partnerships (MDPs) with other professionals such as accountants and surveyors.

The society supports removal of the ban so far as partnerships with foreign lawyers are concerned, provided there are "proper powers" to ensure that the consumer protection regulation which applies to solicitors can be *applied to multi-national partnerships*.

However, if there was ever any doubt about the society's views on MDPs there can be none now. Responsibility for its strong opposition to them is placed at the door of the Government for failing to explain how MDPs could be reconciled with the primacy of a lawyer's obligations to the court; how it could be ensured that clients received wholly independent advice from the solicitor members *of the* partnership; or how they could be implemented without threatening the network of independent solicitors' firms around the country on which public access to legal services depends.

The last of these is a plea to be exempt from the normal forces of competition for the greater good of legal services to the public. It is not an argument likely to cut much ice with the Government and others to whom it may look suspiciously like the *society is* trying to have its cake and eat it. It is fine, it seems, for the ban to be lifted where it is a hindrance to solicitors competing for work with other lawyers on an international basis but not where its removal would expose solicitors to unwanted competition from others.

If, as seems inevitable, the ban is lifted, it will still remain open to the society to make its own professional rules preventing solicitors entering into MDPs with others. The only problem with this is that the Government has made clear in its white paper on restrictive trade practices that competition law will be applied to professional rules and that only rules approved by *ministers* will not be liable to subsequent challenge by the competition authorities.

The society is only too aware that the man tipped as the head of the new competition authority, when it eventually comes into existence, is Sir Gordon Borrie, the Director General of Fair Trading and the main proponent of MDPs for solicitors (but, curiously, not for barristers). Professional rules drawn up by the society preventing solicitors from joining MDPs are therefore unlikely to escape challenge.

The society hopes, therefore, to persuade the Government to amend the bill so that all professional rules require the approval of the Lord Chancellor, thus escaping the scrutiny of the competition authorities, in the way that its rules of conduct and training for higher court advocacy require approval from the Lord Chancellor and the four senior judges.

Clearly it has *greater* faith in its power to persuade the Lord Chancellor and the judges of its case for keeping the ban on MDPs than the new competition authority. It may be right.

LEGAL APPOINTMENTS

ARTS

Christoph Homberger

WIGMORE HALL

The Swiss tenor Homberger made his London debut in Wigmore Hall in 1988, introducing himself in the most emphatic way with Schubert's *Die Winterreise*. He has gone on to hone his Lieder skills around Europe and accompanied by Ulrich Koella he returned to the Wigmore last week for appearances in all three of Schubert's song cycles.

Homberger's tone is light and flexible, his manner relaxed. It is no hardship to listen to him and almost reassuring, for one senses that extremes of anguish are going to be avoided. He began his task on Thursday at the beginning with *Die schöne Müllerin* and until the final trio of songs made it a thoroughly outward-going experience, hardly clouded with intimations of disaster – a young man's progress of optimism unspotted by experience. Even "Die liebe Farbe" was treated as a lyric celebration rather than a piece of haunted remembrance close to the edge.

Which is not to suggest that Homberger was impervious to the meaning of the text, merely that his interpretation of it was fundamentally good-spirited. His diction was consistently immaculate, even at the fastest tempi, his phrasing unquirky, well schooled; when he slowed things down for special effect – the second half of "Der Neugierige" for instance – he did so by maintaining an unbroken line, without agogic extremes. The sense of continuity was always there; with the writing on the wall in "Trockne Blumen" Homberger was still able to cast it in the smoothest curves, containing the emotion within elegant bounds.

Yet if polish was the hallmark of the singing, a pristine view of *Schöne Mullërin*, ready to have its surfaces distressed and foxed, the playing of Koella seemed strangely unpolished. What was not awkward and edgy was prosaic, and there is a good case for counterpointing someone of Homberger's strait-laced virtues with a more probing accompanist, so that not everything in the songs is delivered at face value.

Andrew Clements

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The third and last of Homberger's Schubert programmes, on Saturday, was devoted to *Schwanengesang*. By this time the near-capacity Wigmore audience will have had ample opportunity to weigh up the young singer's strengths and weaknesses. That he has genuine promise to become a most satisfying recitalist is not in doubt, though at the moment it seems to me that the musicianship is running ahead of the voice. In particular, the singer is apt to let his voice taper off into a head tone that cannot be relied upon to produce the same focus and quality that the instrument has lower down. One wishes that he would rely on it less and simply stand and deliver in a more forthright way. Then there would be no risk of sounding precious and he might also learn how to produce the ringing climax required for a song like "Der Atlas," which he had otherwise made splendidly incisive. The sure grip on words as well as music in that song was typical of Homberger at his best. This was a *Schwanengesang* in which the balance of each song was skilfully handled, its poetry deeply considered, its music interpreted with sensitivity. Whereas most young singers look upon recitals as a sideline to their main career, Homberger has clearly chosen to put Lieder first and that must bode well for future recital audiences.

Richard Fairman

Emma Kirkby

QUEEN ELIZABETH HALL

The first thing to note is that this recital should have taken place at all in the circumstances that it did. The concert agency Ibbs and Tillett is promoting an "International Lieder Recital Series" featuring the major song-recitalists of the day and in their midst was the soprano of early music fame Emma Kirkby, who would never have been found in such company a few years ago.

No doubt she will forgive them the term "Lieder" still residing in the title. The singer's programme did not in fact venture beyond the 17th century and was divided equally between the music of Italy and England, the repertoire in which she has risen to pre-eminence.

In this field the purity of her voice remains unrivalled and it seems only just that she should have won solo recital status, equivalent indeed to that of a Lieder singer.

The solo vocal music of the 17th century, however, is of a different nature. The Italian works in this recital last Thursday, including a remarkably impassioned and virtuoso "Lamento di Maria Stuarda" by Carissimi, all had some dramatic element. In each there was a lot of beautiful singing to be heard, though it has to be said that other, no less "authentic" singers have brought to pieces like these a greater sense of drama.

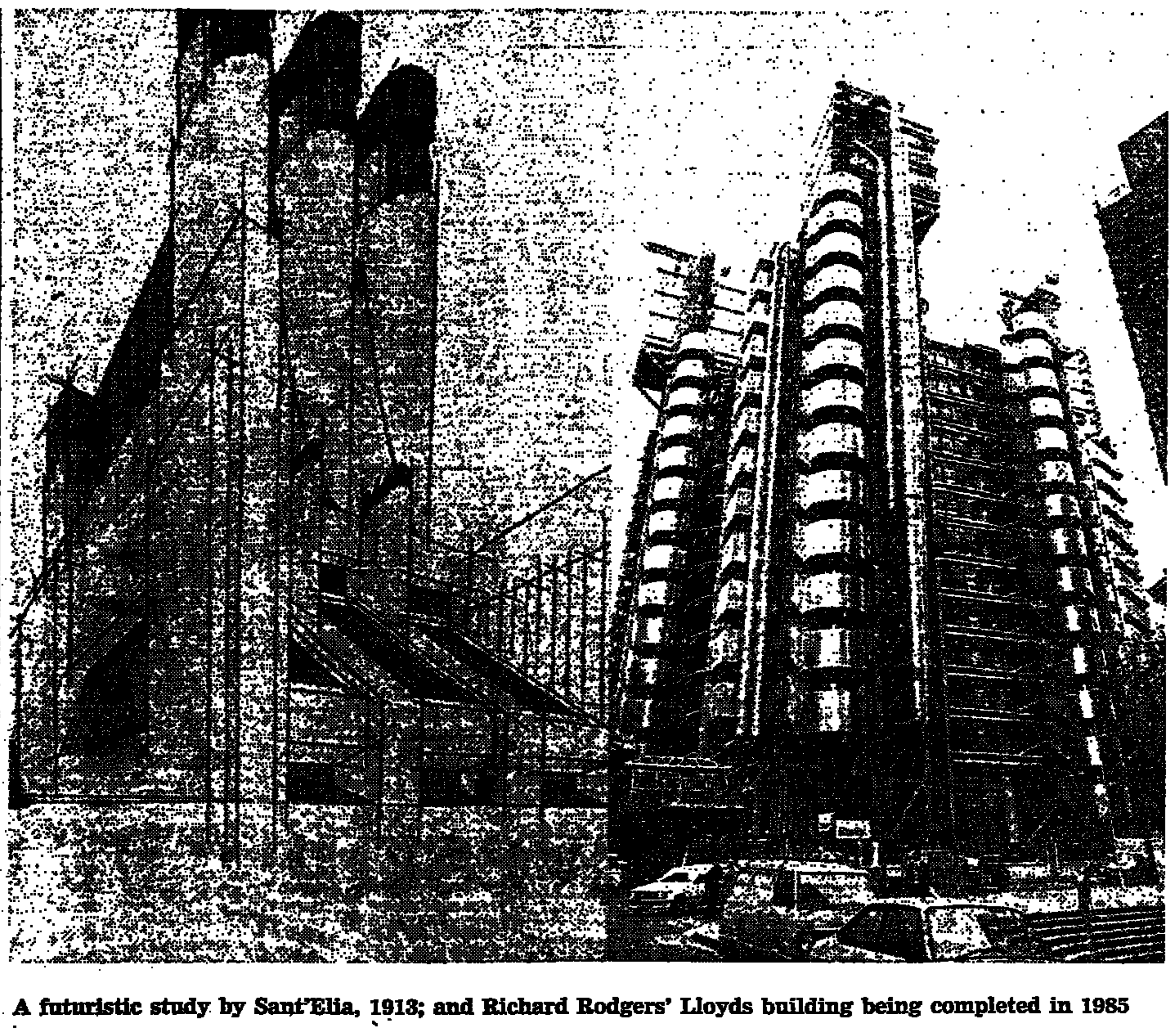
What I missed in this half was an immediacy of contact with the Italian language – not only its poetry, but also the sounds and rhythms that determined how the composer set the texts. For that we shall presumably have to wait until an Italian singer of Miss Kirkby's standard is reared within the "authentic" style, which could be a long way off.

The English half – Lawes, Blow and Weldon – was no less delightful a selection of music and here the vocal agility and beauty that had already been brought into play before the interval were heard here to still finer effect.

This singer has any amount of sensitive musicianship to offer and when that is joined by an effervescent sense of enjoyment, as in Blow's skittish setting of Sappho's poem to the Goddess of Love, there are few to rival her.

All the items, including those derived from scores for the stage, which must presumably have been performed with instrumental ensembles, were accompanied by the lute of Anthony Rooley. He also interspersed solo items, but as with the genuine Lieder evenings, it was the voice that was the focus of attention.

Richard Fairman



A futuristic study by Sant'Elia, 1913; and Richard Rodgers' Lloyds building being completed in 1985

ARCHITECTURE

Sant'Elia: a man with vision

Colin Amery on the exhibition at the Accademia Italiana

"It is time to liberate our country from the foetid grip of gangrenous professors, archaeologists, cicerones and antiquaries." These are not the words of an architect angered by the latest pronouncement from the Prince of Wales, but were written in 1909 by the Italian writer Marinetti when he published the Futurist Manifesto in the Paris newspaper *Figaro*. It was a timely reaction to what Italian artists and writers considered to be the decadence of the *fin de siècle*.

As we approach the end of our own century, it shows good timing on the part of the Accademia Italiana in London to show an exhibition of the drawings of the futurist architect, Antonio Sant'Elia (1888-1916). As we wallow through a period of confused historicism and rampant high technology, the work of those who inspired modernism at the beginning of the 20th century acquires new relevance.

It is a wonderfully stimulating show, organised by the Accademia di Brera in Milan and shown in London at the new and promising Accademia Italiana in Rutland Gate which brings the best of Italian fine and applied art to London.

Antonio Sant'Elia's architectural vision was extraordinary. It can be seen and understood in his drawings without the need for any wordy supporting theory. He was born at Como in 1888, where he went to the architectural school. He went on to further studies at the Brera school in Milan and the fine art school in Bologna, where he graduated in 1912. He worked principally in Milan on public projects, but his working life was cut short by the First World War; he served in the front line and was killed near Montefalcone in 1916. His alliance with the Milan Futurists was brief, and not such a clear and simple relationship as we are sometimes led to believe.

There are two major written pronouncements that were published over the name of Sant'Elia. One accompanied the first major exhibition of his drawings, the Nuove Tendenze show in 1914. This was a powerful, lively rejection of the past and a hymn of praise to the new technology. It naturally attracted the support of the Futurist camp, and Marinetti was to edit it as *The Manifesto of Futurist Architecture*. How much of this great polemic was written by Sant'Elia and how much by Marinetti will never be known.

In the light of this controversy, the 300 drawings that Sant'Elia left behind become extremely important pieces of evidence in the history of modern architecture. Some 64 of them are on view in the London exhibition. Although they are well shown alongside other members of the Milan Futurist group like Boccioni and Sironi, his role in the Futurist movement becomes less important than his own strong and often glorious vision. The contemporary architect Mario Chiattone is represented by a few drawings which make good comparative material.

Sant'Elia was conventionally trained and examples of his early drawings show the influence of the Viennese Secession and Art Nouveau style, which in Italy was called the Stile Liberty. It would have been helpful to have had a photograph of his only completed building – an Art Nouveau villa for an industrialist near Como. In this first room, the spirits of Otto Wagner, J. M. Olbrich, Klimt, Frank Lloyd Wright and Mackintosh are all tantalisingly present in the drawings. Many of them are studies for ambiguous, monumental buildings. Some of them are churches, some just "edifices" of uncertain purpose. Many are monuments with giant heads that resemble nothing as much as the tomb of Karl Marx in London.

By 1913 he has moved on from his interest in ornament to produce giant and profound structures that celebrate power and movement. It is right to hang here the Aroldo Bonzagni painting of a thundering steam railway engine "A Train in the Night of the World." This is one of those "deep chested locomotives pawing the ground with their wheels" that appear in the Futurist Manifesto. The dark world is the old classical world of Italy being swept aside by the power of locomotion.

Sant'Elia was interested both in the power of movement and in finding an architectural way of expressing a city of movement and energy. His later drawings anticipate so much of the 20th century city that they have to be seen as visionary. His railway station for Milan is so superior to the neo-classical, almost Fascist design that was built. He had an intuitive understanding of the fact that in the 20th century and beyond it is movement that is the element that articulates space. Cities encapsulate the upward movement of lifts and towers, the horizontal movement of highways and streets, and the movement of aeroplanes taking off, circling and landing from all directions.

The powerful designs of Sant'Elia show an artist at work on the problem of the architecture of this new city. He wanted to find an acceptable, even monumental form that both enhanced the character of cities and enabled them to work. Cities in his hand become fully three dimensional – and designed to work.

Sant'Elia built virtually nothing. This is not to say that none of his ideas have ever been built. Curiously, his vision has been realised most of all in Britain. The finest of Britain's "high-tech" architects – Richard Rogers, Norman Foster and Michael Hopkins – have all built some of the Sant'Elia vision. The Lloyd's Building in the City is a clear manifestation of the joy of movement being the source of the design of the whole edifice. Stansted Airport by Norman Foster and his Hong Kong Shanghai Bank could not have been built without the subliminal influence of some of these drawings.

It is a rare chance to see this crucial source material of the history of modernism. I felt, as I looked at this wonderful exhibition, how desperately London needs a Museum of Modern Art and Design. We need to understand the roots of the 20th century to give us a basis for the 21st. Bravo to the Accademia Italiana for bringing us this salutary show.

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Futurism and the Architecture of Sant'Elia is at the Accademia Italiana, 24, Rutland Gate, London SW7, until February 24. It is open Tuesday to Saturday, 10 to 5.30, with a late night until 8 on Wednesdays. The exhibition is sponsored by Premafin Finanziaria.

Boito's Mefistofele

TEATRO COMUNALE, FLORENCE

The final production of the brief winter season at the Teatro Comunale in Florence was a new staging of Boito's *Mefistofele*, absent from the house since 1954, when the work was conducted by Tullio Serafin. Several generations younger than Serafin, the Florentine conductor Bruno Bartoletti – artistic director of the Comunale – obviously has an affinity with late 19th century operas, and he led a sympathetic, totally committed reading of this problematic piece

Boito's is a curious, but not unusual case. As a young man, he was a rebel, an iconoclast, out to shock; in 1868, when his *Mefistofele* was given its première at La Scala, under the baton, he was barely 26, a leader of the anti-Verdi faction; his elders considered him thoroughly contaminated by foreign (ie. German) influences, and he was a polyglot cosmopolite in a city that remains, even today and in spite of world-wide business connections, charmingly provincial.

Boito's original *Mefistofele*, which lasted six full hours, created a sensation, but was a resounding fiasco. It had only two more performances, then was taken off. Boito, who in addition to being a composer, was also fertile writer, supported himself by providing librettos for other musicians.

But he also worked on *Mefistofele*, cutting it drastically, smoothing rough edges, introducing more attractive arias and, in general, turning it into a much more conventional piece. This second redaction, given in Bologna in 1875 with success, repeated in Venice, and then in 1881 at la Scala again, was this time warmly received. Not only *Mefistofele* but also Boito himself had been revised in the course of the decade: the shocking rebel had become a tame salon pet, coddled by duchesses, a contributor to the right publications, a member of committees, a proper supporter of the establishment. His tastes, and his politics, became conservative. He abjured Wagner; and – through the clever machinations of the publisher Ricordi – he was, at first warily, received by Verdi, whose librettist and friend he became.

Actually, though Boito's poetry is sometimes overwrought, he was a better writer than composer. And, for that matter, he composed little: *Mefistofele*, a few odds and ends, and *Nerone*, which he began while in his twenties and left unfinished at his death. Under Toscanini's direction, several other composers tuned Boito's jottings and sketches into something performable. Boito died in 1918; his posthumous second opera was performed at La Scala in 1924. It has rarely been revived.

When he had finished reworking *Mefistofele*, Boito destroyed its first version; so we have only a vague idea – based on the printed libretto – of what that was like. Probably it was more interesting than the surviving second version. The *Mefistofele* we hear today begins magniloquently with a prologue in Heaven, in which the basso defies God and wagers he will win the soul of Faust: a grand conception, which allows for splendid stage effects.

But after this prologue, the opera sags noticeably. The witches sabbath can have a certain noisy effectiveness: but the Classical Sabbath (starring Helen of Troy) is cold and academic. Though *Mefistofele* has the best lines, and the best music, he does not have enough of them, and the puppet-like Faust takes over for too much of the time. The double love duet in Act II is a series of tuneless jingles (Boito's melodic gift was scant, to put it mildly); and only Margherita's prison scene – with the big show aria "L'altra notte" – makes the ears perk up briefly.

As a rule *Mefistofele* is revived when some great bass is available to sing it. In Florence there was Samuel Ramey, who certainly gave a masterful performance. Though Ramey's voice is not in the Chaliapin-Christoff line (both celebrated interpreters of the part), it has a dark, evil side and the singer can display a sinister snarl. He is also a lithe actor, suggesting the ease of locomotion; and he has a seductive manner, too. Surely, he seduced the Florentine audience, which gave him a well-earned, extended ovation after the prologue.

Unfortunately the tenor, Alberto Cupido, for the first half of the opera bleated and whined and had difficulties with pitch. It was only in the final scene that he got his voice under some kind of control and could belt out the high notes in the ensemble. But the love duet and his arias (not particularly thrilling at best) went for little. Daniella Dessi was a sweet Margherita, though a more dramatic voice is usual in the part. Often, the same soprano sings also the part of Elena (Helen of Troy); but in this case it was sung by Graciela von Gyldenfeldt, stately and blonde but more imposing visually than vocally. The smaller parts were well assigned; Romano Emili's Wagner was particularly well-enunciated.

The staging was by Carlo Maestrini, a man of long and varied experience in opera; his view of the piece was traditional, but he made use of interesting "special effects" by TV Key, a Florence firm; and Raffaele Del Savio's sets were an interesting mixture of star wars space and good old 19th century style scenery (Faust's study could have been designed by Verdi's friend Gerolamo Magnani).

It must be added that this *Mefistofele* attracted capacity audiences; whole bus-loads of Boito lovers arrived from as far afield as Modena and Parma. So the Florence production clearly filled a need.

William Weaver

Cinderella

ROYAL OPERA HOUSE, COVENT GARDEN

The eighties taught us to be shy of hailing new talent at the Royal Ballet. Too many young performers ascended to glory and fizzled away within a few seasons. Will the nineties be any different?

Watching Viviana Durante, who in the past two years has inherited a dozen ballerina roles, I am still cautious. She is elegant and serious; she has a wide technical range. In this era of Sylvie Guillem's super-high extensions, it is satisfying to see how Durante's high legwork is always part of a through-the-body line. She can bring unusual distinction to transitional steps. On Saturday afternoon, she returned to the role of Cinderella, and it was a pleasure to watch her poise in *retiré* the flow of a *développé*.

At any performance she sometimes shows her flair and an unusual sense of address to the house. In some all-dance roles, such as in Ashton's *Rhapsody*, she's consistently switched-on, assured. Often, however, she's capable but, somehow, withdrawn. As Cinderella, she has been taught how to do certain things as, they still say, Fonteyn did – looking up as she descends the ballroom staircase on point, looking at the Prince as she puts on the slipper. How to make these moments touching is a lesson she may learn with time, just as she may acquire an even more exact sense of musical timing. At present, her Cinderella is a good, prosaic girl, rather beautiful, rather uninvolving.

Her Prince, Bruce Sansom, was making his debut. His dancing is a pencilled reminiscence of the oil painting that Anthony Dowell's once was. Line, control, speed: yes. But without Dowell's length of phrase or richness of tone. Sansom is the Royal Ballet's Ganymede – a courteous, pretty choirboy, forever teenage. Who could believe he is older than Durante? Or old enough to ask her to dance? Nobody's dancing all afternoon had the sweet radiance of the enraptured smile he brightly cast upon his lady love, his court and the audience. He's a novelty: a Prince to whom Cinderella will have to teach the facts of life.

Another debutant was the young Tetsuya Kumakawa as the Jester. He has all the role's technical ingredients – the jumps, turns, speed, stamina – but hasn't yet fitted them all to the music. He, Durante, Sansom have such unmistakeable promise, and *Cinderella* is a marvellous ballet, moving, witty and dense with choreographic surprise. Why do they keep it all so demure, so *Princess Tina*? As an Ugly Sister, David Bintley did his funny walk. He and Guy Niblett are as coarse as the first-cast Sisters on whom Clement Crisp has already reported, but less funny, less acute in timing and with less dance sense. The ballet is still alive, still fascinating, but, in a thousand tiny details, it is slipping out of focus.

Alastair Macaulay.

ARTS GUIDE

January 12-18

MUSIC

London

London Sinfonietta conducted by Spephen Harrap, with soloists and the Finchley Children's Music Group, London Sinfonietta Voices and the Rascher Saxophone Quartet. Berio. Barbican Hall (Mon) (628 8891).
Chamber Orchestra of Europe. Bach Brandenburg Concertos Nos 2,4, and 5; Britten's Prelude and Fugue (Mon). Queen Elizabeth Hall, South Bank Centre (928 8800)
BBC Philharmonic Orchestra conducted by Edward Downes, with Andreas Scheibner (baritone) and Bruno Csnino (piano). Mahler, Berio. Barbican Hall (Tues) (638 8891).
Britten String Quartet. Haydn (Tues) Queen Elizabeth Hall, South Bank Centre (928 8800).
Gabrieli Quartet. Sibelius, Beethoven (Wed). Wigmore Hall (935 2141)

Paris

Soviet Union State Symphony Orchestra conducted by Euguent Svetlanov, E. Kissin (piano). Khrennikov, Tchaikovsky, Scriabine (Mon) Salle Pleyel (45638873).
Cecile Ousset, piano recital (Tue). Auditorium des Halles (40282828).
Orchestre National de France conducted by Lorin Maazel, Ingolf Turban (violin): Messiaen, Glazunov, Saint-Saens (Tue) Salle Pleyel (45638873).
Orchestra de Paris conducted by Kurt Sanderling. Miriam Fried (violin). Brahms (Wed, Thur). Salle Pleyel (45630796).
Ensemble Wien-Berlin. Haydn, Danzi, Ibert, Eder, Francaix (Wed), Danzi, Berio, Mozart, Hindemith (Thur). Auditorium des Halles (40282828).

Frankfurt

Gerhard Oppitz piano recital with Brahms (Tues)
German Chamber Philharmonic Orchestra under Bruno Weil with Martha Argerich (piano). Mozart, Beethoven, Strauss (Thur). Alte Oper

Cologne

Frankfurt Radio Orchestra master concert with Pinchas Zukerman conducting and playing violin. Beethoven (Thur) Philharmonie.

Berlin

Berlin Philharmonic Orchestra conducted by Riccardo Muti. Schubert and Haydn. (Thur) Philharmonie.

Amsterdam

Netherlands Philharmonic with Maria Tipo (piano), Theodor Guschlbauer conducting. Berlioz, Rachmaninov, Roussel (Wed). Concertgebouw (718 345).
David Geringas (cello) and Tanja Schatz (piano). Prokofiev, Schnittke, Tchaikovsky, Shostakovich (Tue). Concertgebouw (718 345).
Radio Chamber Orchestra and choir under Bernhard Klee. Martin (Thur). Concertgebouw (718 345).

Utrecht

Netherlands Philharmonic with Ellen Corver (piano), Harmut Haenchen conducting. Borstlap, Mozart, Brahms (Mon). Vredenburg (31 45 44).
Netherlands Student Orchestra and Frank van de Laar (piano) conducted by Rudolf van Dreisten. Wolf, Schumann, Shostakovich (Wed). Vredenburg (31 45 44).

Barcelona

Orchestre National de France conducted by Lorin Maazel, with Ingols Turban (violin). Beethoven, Glazunov, Roussel. (Mon). Palaude la Musica Catalana (301 69 43).
Carles Trepat (guitar). Spanish music recital. Sors, Brotons, Albeniz, Falla, Turina (Thur). Collegi D'Avocats (301 69 43).
Jeremy Menuhin (piano). Schubert, Beethoven, Czerny, Debussy (Wed). Fundacion Caja de Pensiones (317 57 57).

Madrid

Andrea Lucchesini (piano). Brahms, Schumann. (Tues). Auditorio Nacional de Musica (337 01 00).
Bohuslav Martinu Chamber Orchestra. Bach, Geminiani, Britten, Martinu. (Thur) Auditorio Nacional de Musica (337 01 00).

Vienna

Wiener Kammerorchester conducted by Claudius Traunfellner. Kittler, Haydn, Mozart, Bartok. Konzerthaus (Tues).
Ensemble Modern, conducted by Mauricio Kagel. Kagel, Konzerthaus. (Wed, Thur).

New York

St Luke's Symphony Orchestra conducted by Leonard Slatkin with Anthony di Bonaventura (piano). Haydn, Ligeti, Tchaikovsky. Carnegie Hall (Wed) (247 7800).
New York Philharmonic. Zubin Mehta conducting with the Westminster Choir directed by Joseph Flummerfelt. Brahms, Stravinsky (Thur). Avery Fisher Hall (874 6770).
Emerson String Quartet. Beethoven, Schubert (Thur). Metropolitan Museum of Art Rogers Auditorium (570 3949).

Washington

National Symphony Orchestra. Mstislav Rostropovich conducting Shostakovich, Albert (Thur). Kennedy Center Concert Hall (467 4600).

Chicago

Chicago Symphony Orchestra. Myung-Whun Chung conducting Bartok, Dvorak, Prokofiev (Tue); Sir Georg Solti conducting Corigliano, Beethoven (Thur). Orchestra Hall (435 6666).

Tokyo

Wiener Mozart Akademi Orchestra. Mozart, J. Strauss. Showa Women's University Hitomi Memorial Hall, near Sangenjaya (Wed) (293 7550).
Austrian Radio Symphony Orchestra conducted by Pinchas Steinberg. Haydn, Mahler. Kan'i Hoken Hall, Gotanda (Thur) (235 1661).
Japan Philharmonic Orchestra conducted by Akeo Watanabe, with Dang Thai Son (piano). Beethoven, Bruckner. Suntory Hall (Thur) (234 5911).

FT Arts Lecture

THE FINANCIAL Times Arts Lecture this year will be given by Sir Peter Hall, on opera. It will take place on Monday, February 5, 1990 from 7-9 pm at the Barbican Centre.

The FT invites readers to attend and the first 100 to apply will be sent complimentary tickets. Requests, with a self-addressed envelope, should be sent to Public Relations 'A', The Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700

Monday January 15 1990

World battle in cars

THE RECENT gloomy warnings by leading US motor manufacturers presage not only a difficult short-term outlook, but a longer period of upheaval which is likely to affect profoundly the future structure of the industry worldwide. During the 1990s, producers in the US and Europe will need to make radical adjustments to survive against intensified Japanese competition. They will succeed only if they, and western governments, do not shrink from painful change.

The greatest immediate pressures are in North America, where a market downturn has underlined how much more US producers still have to do to restore competitiveness. Mr Harold Poling, vice chairman of Ford, has forecast bitter competition this year, aggravated by surplus production capacity which he blames mainly on Japanese-owned "transplant" factories.

The nub of the problem, however, is not surplus capacity but inefficient capacity in the American industry. The transplants are greenfield factories which use modern production systems and are mostly free from Detroit's long history of fractious labour relations. Though many still lose money, their Japanese owners can afford to finance them, partly out of profits earned on their strong domestic market.

Biggest casualty

The biggest casualty is General Motors, whose once dominant market share has slid to 35 per cent; its North American automotive business made losses in the second half of last year. Though the company has shed staff and spent $40bn to modernise its plants in the last *decade, many of them remain* inefficient, while GM's model range has been considered, at least until recently, indifferent. With no end to the company's troubles in sight, worried US institutional investors have recently voiced growing dissatisfaction with its management.

Ford and to some extent Chrysler have performed somewhat better by eschewing GM's costly gambles on unproven production technology and concentrating instead on many small steps to reorganise working practices. Yet improved quality and cost alone may not be enough to meet Japanese competition, let alone restore a competitive edge.

Led by Toyota, Japanese carmakers are shifting their offensive by accelerating the introduction of new models. The new strategy will pose a formidable challenge. Unable to match the Japanese industry's flexible development and manufacturing methods, most western carmakers still depend for their profits on mass-producing limited ranges of standard models over a long period.

Buoyant market

At present, European carmakers are still enjoying the benefits of a buoyant and partly protected local market. However, countless studies have found that they lag the Japanese industry on most measures of competitiveness. Furthermore, their weak position in markets outside Europe makes them exceptionally vulnerable to a fierce Japanese attack on their home ground.

The European industry hopes to defend itself by getting the EC to negotiate a voluntary restraint arrangement (VRA) with Japan after national import restrictions lapse in 1992. At best, that is wishful thinking. The main results of the VRA in force in the US since the early 1980s have been to slow local industry's adjustment, push the Japanese into building "transplants" in North America and enable them to fatten margins on their exports from Japan.

The future of car industries on both sides of the Atlantic can be secured only by sustained efforts to improve management performance, reorganise production and develop products which offer customers better value for money. In Europe in particular, this may require restructuring of the volume car business to produce fewer, bigger companies better able to afford large investment programmes.

Mr Roger Fauroux, France's industry minister, acknowledged recently that Japanese cars may out-sell French ones because they are superior products. European motor manufacturers must see that they are running out of excuses to defer tough decisions essential to their survival.

The education decade

IF THE recognition of a problem is the first step towards its solution, Britain can be said to have made educational progress during the 1980s. Education and training are at least close to the top of the political agenda, which was certainly not the case in 1980.

The origin of present problems lies in the fact that Britain's education system was designed to cater for an academic elite; the needs of the bulk of the population were ignored. In many other places, including the US, continental Europe and Japan, efforts were made to provide the kind of schooling likely to benefit non-academic children. As a result, Britain's record at intermediate levels of training and education is far worse than its record at university level, which is not impressive. At the beginning of the 1990s, only about 40 per cent of 16 to 18 year olds remain in full-time education, a far lower proportion than in most competitor countries. And the bulk of those who leave still do not gain vocational qualifications of any value.

If the Government is to remedy this situation quickly, it *must introduce further radical* reforms. A sixth form curriculum that meets the needs of the *majority* of 16 to 18 year olds is urgently needed. This means scrapping the anachronistic Advanced (A) level examination, which offers an unacceptably narrow education for the top 20 per cent, and introducing a new broader curriculum. This should attempt to span the arts, science and vocational divides and provide a natural progression from the GCSE exams taken at 16.

Inherent flaws

Mr John MacGregor, the Education Secretary, is deceiving himself if he thinks the flaws inherent in A levels can be overcome by tinkering with existing syllabuses. It makes *no sense to argue that* "core skills" such as numeracy and information technology can be efficiently imparted through the medium of, say, French A level.

The Government should also show that it is serious about boosting school-based technical education. In this context, a target of 20 City Technology Colleges is grossly inadequate. As Professor Sig Prais of the National Institute has argued, the programme needs to be expanded by a factor of about 100 if the bias towards academic education is to be materially altered. The attempt to provide technical education outside the framework of local education authorities was a mistake. In future public money should be made available for the conversion of comprehensives into CTCs, where this is acceptable to local communities.

Training challenge

If anything the training challenge is more daunting. Shortly before resigning as Employment Secretary, Sir Norman Fowler announced ambitious targets for vocational qualifications. By 1995, he declared, all 18 year olds should achieve the vocational equivalent of five good passes at GCSE. And at least 50 per cent should achieve the equivalent of A level passes. These are admirable objectives. The only problem is that Sir Norman did not explain how they are to be achieved. This task *falls to Mr Michael Howard, his* successor. One thing is certain, a large increase in vocational qualifications will not be brought about simply by giving youngsters a training credit with which to buy courses of their choice. Labour market tightness will ensure that many opt for employment with little or no structured training.

Mr Howard must strive to increase the number of young people undertaking vocational training. But he must also carefully scrutinise the quality of courses. As the National Institute has noted, it is disturbing that written tests and external examinations are not typically required: trainees merely have to demonstrate practical competence to their immediate supervisors in their place of work. Such rules would not be acceptable in continental Europe, where vocational courses are not only broader but accompanied by academic study.

Attitudes will have to change rapidly if Britain is to avoid remaining an educational laggard in the 1990s.

Charles Leadbeater, Nick Garnett and Peter Marsh set their sights on the East

Investing in the revolution

In the next few weeks Windsor in Berkshire will welcome a group of out-of-town businessmen. Led by a Russian admiral from the Soviet Ministry of Merchant Marine, they will visit the nearby training centre run by ICL, the computer company, for a crash course in business management.

The admiral and his colleagues are the top management team in ICL's recently established joint venture to assemble personal computers in the Soviet Union. The plant, in a refurbished former registry office on the outskirts of Leningrad, should start assembling computers in April.

It is just one of many joint ventures which have sprung up east of the Berlin Wall as western businessmen and East Germans have travelled in *opposite directions, but with almost* equal eagerness for the spoils which await.

If the Soviet Union is included, eastern Europe is a market of about 420m people, compared with the 324m of the European Community. There is substantial room for growth. The EC's gross domestic product in 1988 was $5,509bn (£3,318bn), compared with $1,420bn in the USSR and $473bn in the remainder of eastern Europe.

As Mr Godfrey Linnett, head of eastern European operations at Allied Lyons, the food and drink manufacturer, puts it: "People are crying out for good quality consumer goods. It should be easy to sell them."

Moreover, eastern corporate gems could be revealed after some dusting off with western management and technology.

Perkins, the engine manufacturer, is teaming up with a subsidiary of the Bulgarian company, Balkancar, one of the world's largest fork-lift truck manufacturers. The Weir group, the *Glasgow-based engineering company*, has recently agreed a deal to license technology from Litostroj, the Yugoslav company which is a world leader in water turbines for hydro-electric power stations.

Before the Second World War, German chemical plants east and west were owned by IG Farben, and retain some of the same characteristics.

Asea Brown Boveri (ABB), the Swedish-Swiss power engineering group, is well on the way to taking majority control of Zemech, the Polish turbine and generator maker, with the aim of welding it into its worldwide manufacturing network.

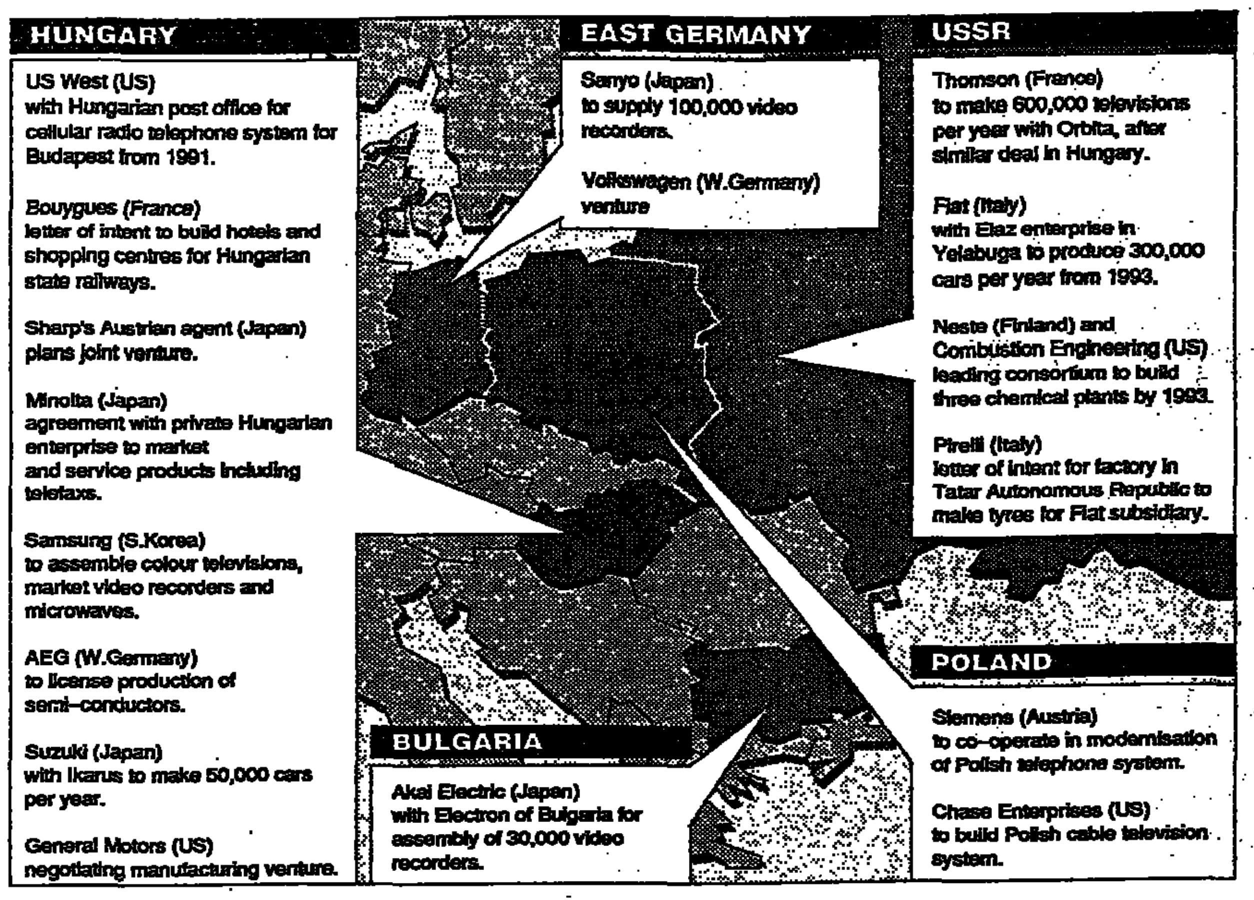
"If we did not do this we would feel that we were not supporting our target of becoming the world's lowest cost producer," says Mr Eberhard von Koerber, ABB's main board member responsible for eastern Europe.

Western capital is welcome, especially in areas like consumer goods and television manufacture, telecommunications and computers, although some deals may still fall foul of CoCom restrictions on high technology exports. Not far behind are ventures in cars, automotive components, construction of hotels and factories and chemicals.

In the short term there may be more opportunities for consumer goods imports, such as the 500 Nissan cars going to the Siberian miners, as governments attempt to satisfy long *suppressed consumer demand.* But in the long run, companies will need to go beyond importing and consider manufacturing joint ventures.

Mr Paul Whitwam, ICL manager for eastern Europe says: "We will have to provide a total service. In future they will not accept imports which just cream off the profit. They will want us to make a tangible contribution to the long-term health of their economies."

Mr Tony Downs, who is responsible for setting up Perkins' Bulgarian technical research centre in collaboration with the Varmo engineering company concurs: "We cannot skirmish on the edges – we have to get in there."



After licensing manufacture of its products for 20 years in Yugoslavia, Poland and Bulgaria, Perkins is *considering manufacturing joint ventures.*

Corporate eagerness to get into the east is no doubt justified. But just as eastern planners are learning new tricks, so western businessmen will have to discard their preconceptions.

The revolutions in eastern Europe may have been united by a yearning for democracy. But they are likely to produce quite diverse outcomes.

Yugoslavia and Poland have been open to the west for much longer than Bulgaria and Czechoslovakia. Revisionist communist rule in Hungary was very different from the Ceausescus' Romania. Neo-liberal Polish Thatcherites find few counterparts in Czechoslovakia and East Germany.

Mr Paul McMahon, a Hungarian specialist at Price Waterhouse, the accountants, says of the country: "A return to the previous system is unimaginable. But it will not necessarily become like our own system, elements of socialism will remain."

The economic bases also differ. Ironically, one advantage of Czechoslovakia and Romania's closure to the West is a relatively low debt burden. Debt service payments consume about 16 per cent of foreign earnings in Czechoslovakia and 27 per cent in Romania, compared with 45 per cent in Hungary and 43 per cent in Poland.

Nor have all taken the same approach to joint ventures. East Germany's Government said last Friday it might allow majority foreign stakes in joint ventures as exceptions to what it had planned would be a 49 per cent ceiling. But until the rules are clearer, investors may be inhibited.

The Czechoslovak joint-venture law is much more restrictive than the Polish or Hungarian statutes. Under sec*tion 11, joint-venture profits are taxed* at 40 per cent and the operation has to contribute 50 per cent of its wage bill to a social security fund.

The upheavals have created their own problems. Mr Tom Hutchinson, the ICI board director responsible for eastern Europe says: "These economies will have a very tough winter, which could lead to a political backlash. Stable political institutions will need to develop to attract long term investment."

'People are crying out for good quality consumer goods. It should be easy to sell them'

Mr John Hood, managing director of the Weir group, which has also traded extensively in China, says: "In the old days you used to be able to deal with a single ministry like power or oil. Now everything is fragmenting, chains of command are confused and there is more political uncertainty about what people should do."

Imperial Chemical Industries has set up an office in Kiev, in the Ukraine, because purchasing decisions are becoming so decentralised its Moscow office cannot cope.

Most eastern European countries are heavily dependent on export earnings from their Comecon partners. About 80 per cent of Czechoslovak trade is with other "socialist countries," while 70 per cent of East Germany's exports go to eastern Europe. As Comecon becomes dislocated, so trade may falter and these economies could stagnate.

Joint ventures will still operate within a largely planned economies which can lead to contradictory pressures. Although ICL has a small Moscow sales force, which drums up some orders through cold calling potential customers, its joint venture's profit of £1m in the first year of operation was written into the plan.

Mr Whitwam says: "Planning does not mean you necessarily have long lead times. Something may be planned but the money may not be authorised. Once the money is there they want to move very quickly indeed."

All are agreed – companies have to make a long-term commitment. APV, the machinery maker, has taken five years to get its Bulgarian joint venture with Bio Invest, an organisation set up by the Bulgarian Government, running successfully.

Many British companies do not have the culture for this sort of long-term investment. A team from one large British company recently came back from two days of talks in Moscow with the chairman exasperated by the short-term difficulty of getting his profits out of the country.

In most joint ventures management is in the hands of the host ministry or company. Mr Tim Bloomfield, an eastern Europe specialist at Ernst and Young, the accountants, says: "It is important to get a local chairman with some clout and good contacts with the ministries."

This raises several troubling problems. Mr Whitwam says one of the most important factors is how companies can protect their investment given that they cannot sell the stake on a stock market if the venture falters, fails or is suddenly wound up. Several joint venture companies said this meant they would never make an investment which could not be paid for within two years.

An *equally pressing problem* is the repatriation of profits. How can a profit earned in Hungarian forints or Polish zlotys be turned into usable sterling or dollars? There are no Czechoslovak legal provisions to allow koruna profits to be repatriated.

In spite of worsening trade balances western businessmen say that more organisations are getting access to hard currency to pay for imports. But progress towards convertible currencies will be a key determinant of how integrated these economies will become with the rest of Europe.

Poland is attempting to unify official and black market exchange rates. Hungary has been less enthusiastic, but the official rate for the forint is already more closely aligned to the black market rate.

But there is little doubt that the greatest divergences are in East Germany and the Soviet Union. After the opening of the Berlin Wall the black market rate for the East German mark plummeted to five pfennigs. Yet the official rate is still one for one with the D-Mark.

This means most companies have to engage in imaginative accounting. ICL earns its profit on a Polish joint venture by taking 40 per cent of the export profits earned by a Polish company's furniture manufacturer to which it is linked.

Indeed, accounts may prove to be an obstacle in themselves. Hungary is developing codes and principles of accounting. But people are used to dealing in quantities rather than prices. While Mr Bloomfield at Ernst and Young says eastern accounts are merely unfamiliar, Mr McMahon at Price Waterhouse says accountancy is largely non-existent as an independent profession or business service.

Quality is another problem. Apparently a West German shoe manufacturing joint venture in the Soviet Union found the leather it was supplied with could not be used to make the quality of shoes it planned. So it had to be shipped back to West Germany to be reprocessed.

While there is no shortage of people willing to work in joint ventures, in some countries there are constraints on recruitment. Companies may simply have to accept the number and quality of workers they are allocated.

Some of these difficulties are likely to be addressed by eastern European governments. The USSR and Czechoslovakia are planning to redraft their laws on joint ventures to make it easier for companies to repatriate profits and sell in domestic markets.

But the climate for western investment may change in other ways. Mr McMahon expects the Hungarian government to be elected in the spring will reassess investment plans to establish clearer Hungarian priorities. In Poland there is already concern that the West German investment may become so dominant it could lead to the economic annexation of Silesia, Pomerania and East Prussia, areas held by Germany between the two world wars.

Finally even after a joint venture is set up with technology, managers, workers and suppliers it may not work. Consider the performance of those in the Soviet Union.

A plethora of agreements has been signed. More are being sought. But very few are up and running. By the middle of last year, only 40 of the 1,000 registered joint ventures were in operation. According to unofficial estimates circulating in Moscow, 14 of the first 40 are in liquidation.

Riding off in style

■ Jeff Reynolds, the mysterious young Texan who won world-wide attention with his bid to acquire the Bond Corporation of Australia, appears ready to ride off into the sunset.

If he does, he will be following a long family tradition. Reynolds claims that he is descended from the Reynolds family of Throckmorton, Texas, legendary cattle ranchers who reputedly owned 300,000 acres of grazing land in the late 1800s.

The Reynolds family history reads like the script for a John Wayne movie. The Reynolds brothers, George and William, arrived in Texas in the mid 1800s. George got a start as a Pony Express rider, while William rode herd as a cowboy.

In 1865, George Reynolds and two others took a small herd of cattle to New Mexico on the first cattle drive through hostile Indian territory to Santa Fe. The drive, which took three months, was the first of dozens by George and W D Reynolds, often accompanied by their younger brothers.

At first, they drove cattle from Texas north to Wyoming and west to Utah, then extended the drives to California, Nevada, Montana and even Canada. In 1866 the two formed their own ranching company, the Reynolds Land and Cattle Company, and made a fortune raising cattle.

George Reynolds was injured in a battle with Indians at the Double Mountain fork of the Brazos River in 1867. The story goes that he pulled the arrow shaft out of his body, but that the arrow head remained until it was removed 16 years later.

There is also a rather murky story about a Reynolds family member who went bad. Although details are sparse, he was apparently a Texas sheriff who was driven out of town and killed.

OBSERVER

The Reynolds intermarried with the Mathews family, to become the biggest cattle barons in Texas in the late 1800s. To this day, the name Reynolds commands respect in the cattle business.

Although the claim of Jeff Reynolds to be a descendant of the family has not yet been verified, he appears to share its adventurism.

Classy stuff

■ Brian Inglis records in his recently published autobiography that when he was editor of The Spectator, he received an indirect approach from one of the great American crime writers, who sought to write for the magazine. It came through Erskine Childers, who was to become President of the Irish Republic.

"Dear Brian," Childers wrote, "I have had an astonishing letter from Raymond Chandler, who I presume is the author of the lowest type of detective fiction, in which he wishes to write for The Spectator a detailed account of my father's execution...Has he ever indulged in decent respectable literature, as The Spectator does not seem to me to be in his line at all?"

As Inglis notes, it would have been a considerable coup to have had Chandler as a contributor, but the article never appeared.

Another crime-writer who seems to have gone up in the literary world, and who was always regarded as somewhat risqué by some of us when still at school, is Mickey Spillane. *His 12th novel about the pri*vate eye, Mike Hammer, is due to be published this week: by William Heinemann, no less.

Now 71, Spillane lives in South Carolina with his third wife, Jane. Heinemann quotes him as saying: "I write books I'd like to read myself, starting with an unusual climax then working the plot through towards it." The latest is called The Killing Man and ends a gap in the Hammer series that has lasted 19 years.

"Couldn't they have just shot the replicas from their hands?"

Soldiers' tale

■ As Europe scratches its head about the future of its defence, French and West German soldiers are well on their way to forming their first 5,000-strong joint brigade. But, nine months away from completion date, they are scratching their heads as well. The experiment, launched just over two years ago, has proved more difficult than expected.

Senior French officers admit that differences between practices and rules have caused "real problems." These include pay rates, *discipline, soldiers'* rights as citizens, equipment, dress codes and food – not to speak of language.

Communications systems between the French and German regiments at the brigade's Black Forest base have been found to be "not fully compatible." The two nationalities use different arms, munitions and other supplies – "all the way down to the radio batteries."

At first, different French-style and German-style meals were provided, *but these have* now been amalgamated into one menu from which soldiers are allowed to choose.

The aim is that the brigade, which has common support services such as health, will become bilingual. To this end, French is spoken one day, and German the next. The fact that many of the French contingent have been drafted in from Alsace favours the use of German. So an aggressor might be best advised to choose a French-speaking day.

The brigade, still missing two regiments, is expected to be officially in place on schedule in October. "We cannot afford to miss this opportunity," say the French. But they admit it will require more training at brigade level before it is really operational.

Barker's bite

■ Something is stirring in the London theatre. If you do not believe it, go and see Scenes From An Execution at the Almeida Theatre in Islington and Seven Lears at the Royal Court, both by Howard Barker. You may not like the language. Some critics have found them vague and pretentious, though there is considerable erudition behind them and the texts contain rather more jokes than the early audiences appreciated. Above all, the plays work on stage: superbly produced and acted. Last week was the best in the London theatre for a very long time.

Elfish

■ From a report to a Kent woman's club: "She said she and her husband lived simple, uncluttered lives. They had no children and no pets. She had her weaving and he painted, and they had no-one to consider but their two elves."

Alice Rawsthorn finds Japan's textile industry facing an uncertain future

Left hanging by a thread

On one side of a busy street in the centre of Tokyo stands the headquarters of Teijin, one of Japan's largest textile and fibre groups. On the other side is a government building emblazoned by an electronic "Import Now!" slogan.

The slogan is a poignant reminder of the difficulties facing Teijin and its fellow textile groups and of the unsympathetic political environment in which they operate.

During the 1980s, while other areas of Japanese industry benefited from a surge in exports, the textile sector suffered from the uncomfortable combination of increasing imports and declining exports. With Japan so anxious to end the diplomatic squabbles over its trade surplus, the textile companies cannot count on government help.

Instead they have been forced to resort to rationalisation to become more competitive in the international textile trade. In the last year or so they have emerged from their restructuring to stage a modest recovery. Now they face the challenge of translating that into a longer term revival.

In spite of its decline, textiles is still one of the biggest sources of employment in Japanese industry with a workforce of over 500,000.

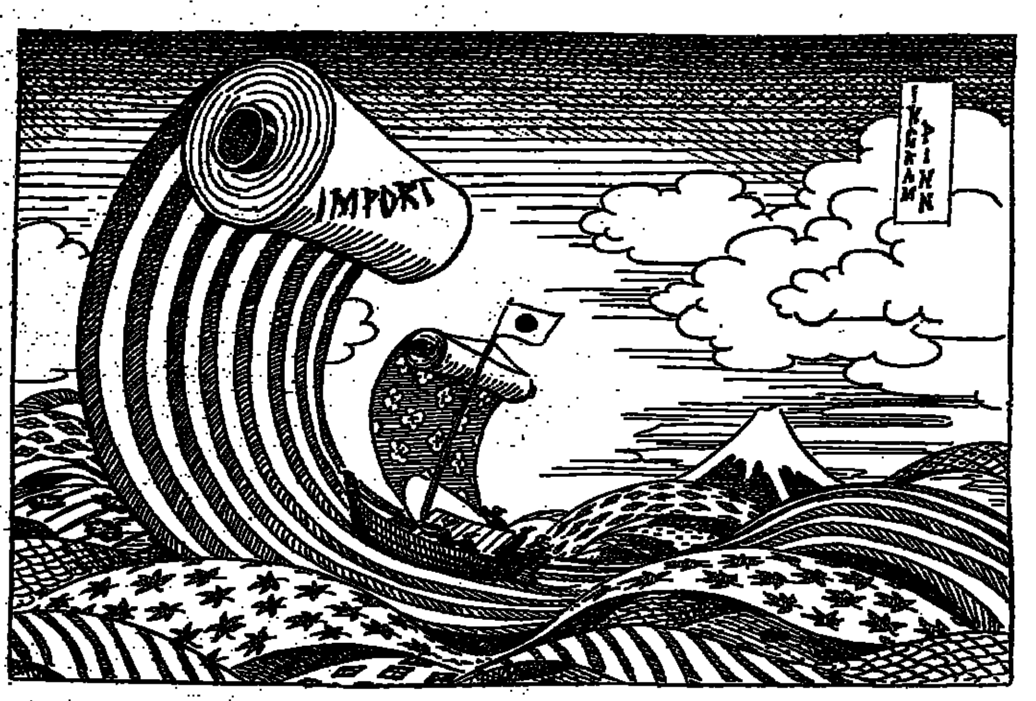
The industry begins with the giant man-made fibre groups – led by Toray and Teijin – many of which also have interests in other areas of textiles, such as spinning and weaving. The fibre groups also have friendly links with spinners and weavers which work with them as sub-contractors.

Clothing is fragmented between hundreds of small family firms although some significant forces – such as Renown, Kashiyama and Wacoal – have emerged. Distribution is dominated by the *sogo shosha*, or the three traditional trading houses: Mitsui, Mitsubishi and Itoh.

Throughout the 1970s the Japanese companies – like their western European counterparts – suffered the parallel problems of rising raw material prices, surplus capacity and increased competition from low-cost countries.

In the 1980s these obstacles were compounded by the apparently inexorable rise of the yen. Imports into Japan from South Korea and Taiwan rose rapidly. Exports declined sharply.

The industry suffered as a result. The index of textile production fell from 100 in 1980 to 93 in 1987, at a time when the index for all manufacturing rose from 100 to 125. The balance of trade in textiles swung into deficit. The level of import penetration rose from 16 to 37 per cent between 1980 and 1988.



Some of the largest groups sustained losses.

Other groups remained profitable, albeit at a lower level. But many could no longer compete overseas. At home the fibre groups were threatened directly by increasing fibre imports and indirectly by the impact of higher textile and clothing imports on their customers.

Ostensibly the simplest solution would have been for the industry to follow the example of its western counterparts by appealing to the Government to impose restraints on imports.

But the Japanese Government was so concerned to reduce the trade surplus by boosting imports that restraints were not feasible. "We were all aware that political intervention was out of the question," said a director of one of the largest fibre groups. A year ago the Government did respond to lobbying from the knitting industry by negotiating a "voluntary restraint agreement" with South Korea to prevent the dumping of its knitwear. Otherwise the industry has been left on its own.

A series of schemes devised by Miti, the Ministry for International Trade and Industry, has been introduced. The first two schemes – introduced in 1978 and 1983 – were concerned with cutting capacity. The latest scheme, in 1988, encouraged the formation of "linked production units" whereby companies in different areas of the textile cycle – from fibres through to clothing – work together.

The chief objective was to enable the industry to cut capacity and to reduce its involvement with commodity products in favour of concentrating on the specialist products where it is less exposed to competition from South Korea and Taiwan.

In many ways the Miti initiatives simply mirrored the restructuring which was already transforming the industry. All the larger manufacturers have made significant cuts in capacity, especially in commodity products.

The cuts and closures were complicated by the Japanese tradition of a company offering jobs for life to its employees. Whereas western textile groups were able to shed labour on a huge scale throughout the 1980s – the US industry lost more than 250,000 jobs during the decade, while the textile workforce in the European Community fell by a quarter – the Japanese companies have had to find alternative employment for "surplus" workers.

This has accelerated the trend towards diversification. Most of the leading textile and fibre groups have used their expertise in fibre technology to move into new markets, mainly chemicals and plastics.

Toray and Teijin now dominate the global market for magnetic tape. Kanebo has interests in cosmetics and electronics. Unitika is involved in housing and health care. Toyobo has invested in medical instruments and electronic materials.

The Japanese companies, with the exception of Asahi Chemical and Mitsubishi Rayon, are still less widely diversified than their western competitors, Hoechst of West Germany or Du Pont of the US. Yet a recent report by the Economist Intelligence Unit estimated that the top groups now derive 40 per cent of turnover outside textiles.

The industry is benefiting from the restructuring. Most of the market leaders reported record profits last year. The recovery is partly attributable to the benefits of cost-cutting and diversification, but also to an underlying improvement in trading conditions.

One favourable factor is the consumer spending boom in Japan. This has meant that, although imports have continued to increase, domestic demand has been such that the Japanese fibre and textile groups have benefited too.

But the chief factor is the declining competitiveness of South Korea and Taiwan, where labour costs have risen so rapidly that their fibre and textile exports are now far less competitive.

The Japanese companies are on course for another year of record profits. The process of restructuring is now completed. Toray and Teijin are both confident that they will be able to maintain capacity at its current level.

Some companies have even been confident enough to invest overseas. Wacoal is already in the US and is moving into Europe. Toray has bought Samuel Courtauld, a weaving company from Courtaulds, the UK group, as a European base.

In the past the emphasis of the Japanese companies' international investment was to establish low cost sources of production and to secure markets in the emerging Asian economies. Today the emphasis is different. The rationale for the investment is to ensure continuity for exports by reducing exposure to fluctuations in exchange rates and to improve the standard of service.

Yet the outlook is far from optimistic. The textile and fibre companies have retreated into small, specialised markets, which may be less vulnerable to low cost imports but where the prospects for growth are modest, at best.

Korean and Taiwanese competition is still intense and new sources of competition could emerge. The Japanese industry will have to struggle to remain competitive: at least as long as government buildings are emblazoned with "Import Now!" slogans.

LOMBARD

'Beggar my neighbour' at the Bundesbank

By Samuel Brittan

ONE OF the most welcome features of the last decade has been the role of the Bundesbank in holding down inflation, not only in the German Federal Republic, but in much of western Europe to which it is linked by the European Monetary System.

But if anyone thinks that this degree of support means that the Bundesbank is above criticism, he or she is likely to be disabused. For the Bundesbank's *sotto voce* campaign for an EMS realignment is irresponsible, damaging to European integration and represents a time warp in that institution's thinking.

The Bundesbank had to accept a setback when the New Year changes were confined to a modest depreciation of the lira, which was itself combined with the narrowing of the Italian margins to normal EMS levels. The successful resistance of France and its allies to any across-the-board D-Mark revaluation has for the time being put a heavy dampener on market expectations.

As the Bundesbank president Karl Otto Pöhl remarked: "A realignment of the EMS is not on the agenda because the major players do not want it." But these very words are consistent with postponement rather than renunciation. When asked if West Germany wanted a revaluation, he replied that the German position was "more differentiated." This was a reference to differences between the Bundesbank and some parts of the German government who are anxious not to alienate the French.

The Bundesbank's eagerness to see a strong D-Mark was evident from the alacrity with which it sold dollars during a temporary modest upsurge of the US currency, thereby feeding market rumours that the informal Louvre range for the dollar had been shifted downwards from DM 1.90 to DM 1.70, to DM 1.70 to DM 1.50. (Allowing for the Bundesbank dislike of the word "ranges" and the soft-edged nature of the understandings, the market's suspicions are likely to be justified.)

The desire for a higher D-Mark is understandable in German domestic terms. For it is not only British industry that is facing the spectre of double-digit pay settlements. IG Metall, which negotiates for more than 3½m engineering workers, has put in a claim for higher wages and shorter hours which adds up to a 12 per cent increase in hourly pay. Contrary to popular belief, the trend increase in German manufacturing productivity is no greater than the British, even though the starting point is much higher. But with the economy booming and both capacity utilisation and profit shares at record levels, German industry is not in a mood to make a determined stand.

The influx of East Germans and ethnic Germans, together with the dismantling of barriers between the two parts of Germany, should both raise the underlying growth rate and increase the flexibility of the labour market. These new forces will, however, add to demand as well as to supply and make greater calls on German savings. The Bundesbank is perfectly entitled to concentrate on the immediate and obvious inflationary dangers.

The Bundesbank's campaign for an EMS realignment is irresponsible

A higher D-Mark would take some of the pressures off the internationally traded sector, which is the main beneficiary of increased orders from eastern Europe. At the same time it would hold down the contribution of imported prices to overall inflation. The desire of the Bundesbank for an appreciation in the face of an inflationary threat makes more sense than the British Government's preparedness to see the sterling index decline by 12 per cent over a year.

But whether its central bank likes it or not, Germany's currency freedom is limited by its international responsibilities. Just as competitive depreciation was the beggar-my-neighbour policy of the 1930s, so is competitive appreciation in the 1980s and 1990s. Germany has moreover special responsibilities as the key currency country of the EC.

One should be clear what the criticism of the Bundesbank is. If the German central bank wishes to raise interest rates to fight inflation it must be free to do so. France and its other partners then have the choice of following suit or letting their own currencies depreciate. All current indications is that they will follow suit.

What the Bundesbank is not entitled to do is to try to secure for itself the advantages of an appreciation by playing on the expectations of market participants, so that they are less inclined to hold other currencies at given interest rate relativities. The Bundesbank may not agree with the policy of Mr Pierre Bérégovoy in linking the franc so closely to the D-Mark; and it may not share its own Government's enthusiasm for fixed parities in the Community. But it is not entitled to further its case by stimulating a run into the D-Mark.

One should not exaggerate the magnitudes at stake. Currency analysts have in mind a franc/D-Mark realignment of around 2 per cent. Last time there was a realignment, in 1987, the franc was actually stronger after the change – one advantage of operating with margins. But the smallness of the possible move is an argument against making it.

For even a very modest realignment would represent a quite unnecessary setback to the hopes of currency stability, which are an important part of the Single Market, and an unnecessary slap in the face for the French Government's brave efforts to use the EMS as an anti-inflationary anchor and to abolish exchange controls ahead of time. (It has, incidentally, received little appreciation for this last step from the British Government despite the fuss that the latter made over the issue.)

So long as the overall stance of European policy is not deflationary – which it is very far from being – the French Government can reasonably prevent devaluation by matching German interest rate moves, and refusing to be bullied. But it is time that some people in Frankfurt rose to the level of events.

LETTERS

Old accounting principles under new principals

From Mr Keith Sykes.

Sir, Your editorial ("Accounting for goodwill," January 10) makes a further useful contribution to the debate on this important area.

There is, however, a much more pressing problem, which was highlighted by an announcement from Cray Electronics in November last year. The company decided retrospectively to review its accounting policies for the previous year to April 1989 with the aid of an outside firm of accountants. The result was a 70 per cent reduction in reported profits "having regard to best accounting practice in the electronics sector." There was no explanation as to why the shareholders had previously enjoyed the benefit of a second best service, nor whether the audit fee was correspondingly lower.

My solution would be simple: we should introduce a collection of accounting standards. As the name suggests these would indeed be standard, so that all shareholders would enjoy the benefit of "best accounting practice."

Whether the new regime to which your editorial refers (the Financial Reporting Council and the Accounting Standards Board) will lead to this objectivity remains rather doubtful. The Dearing Report which recommended the changes to current practice noted that "the over-riding statutory requirement is that accounts should give a true and fair view. The purpose of accounting standards is to provide authoritative but not mandatory guidance on the interpretation of what constitutes a true and fair view."

This suggests a continuation in the lack of uniformity which makes life so difficult for the users of published accounts. Is the implementation of the Dearing proposals going to mean more than a continuation of the same principles under new principals?

Keith Sykes,
36a Cleveland Square, W2

A maturing relationship

From Mrs Julie Baddeley.

Sir, Charles Batchelor ("Dangers of ignoring culture and style," January 9) contained an extract of the paper which Elizabeth Garnsey presented to the European Foundation for Entrepreneurship Research.

I feel the article gave an unnecessarily negative view of the relationship which has developed between our company and the Sema Group. It failed to emphasise the benefits of the acquisition for Baddeley, or for Sema and its customers.

Also, things have moved on. The problems which you cite relate very much to the early months – nearly two years ago – of our transition to being part of a bigger group. The real benefits of the synergy are becoming more and more apparent, and are just as envisaged. There have been cultural challenges, but we have shown them to be by no means insurmountable.

Julie Baddeley,
Managing Director,
Baddeley Associates,
126/130 Tenison Road,
Cambridge CB1

Conventions: cashflow versus accruals

From Mr J.P. Molyneux.

With regard to the Accounting Standards Committee's proposals to enforce the capitalisation of goodwill: is it not time that accountants rejuvenated their conventions. These are based on accruals accounting which, when applied to such situations leads to anomalies which inevitably confuse shareholders and mask the underlying information.

A truly progressive step would be to adopt cashflow accounting conventions which give a true reflection of the wealth generating capacity of an investment such as an acquisition, as well as corporate performance.

J.P. Molyneux,
13 Orchard Grove,
West Didsbury, Manchester

Britain's need for a new training structure

From Mr Tom Elliott.

Sir, Attempts to introduce a standard minimum wage throughout the European Community through the Social Charter will, it has been said by the Government, make British labour too expensive for its relatively low productivity. Manufacturing investment and jobs will go elsewhere in Europe. Is the defence (and implicit promotion) of our unskilled labour now a government strategy for economic growth, or are preparations under way to reverse the situation.

Many developing countries are using cheap labour to attract the investment for subsequent economic growth. It is hoped that one day there will emerge, from an industrial base of low skilled industries, a more highly skilled and better paid workforce. At first glance there seems no reason why this common-sense strategy should not apply to Britain as much as it does to, say, Korea.

Unfortunately, Britain is not a developing country. We are an industrialised nation apparently moving down and not up the ladder of skills. As such we are following a novel strategy: attempting growth through promoting the relative decline of the productivity of our labour.

It is surely a cunning strategy, for the Government appears to be defending the failure of our education and training system while making no substantial changes. There has been no radical attempt to improve the quality and productivity of British labour, and hence its real – as opposed to its artificial and inflation generating – price. It is this, rather than further attacks on trade unions, which is the key to the long awaited supply-side revolution in the labour market.

The Government must find the courage to do away with the present education and training structure and replace it with one that reflects a wider, yet more rigorous curriculum. If, however, the Government chooses to continue to promote change in the piecemeal manner seen during the 1980s, we can expect to see Portugal enjoying a higher GDP per capita than Britain before the hideously blinkered A Levels are done away with.

Tom Elliott,
3 Fairmead Road, N19

Yugoslavia: accustomed to doing business with the West

From Mr Dragoslav Lazarevic.

Sir, The Business Column (January 8) described some of the pitfalls of investing in eastern Europe. May I suggest one country with many of the advantages and few of the problems of trading with eastern Europe.

Yugoslavia has encouraged joint ventures with western companies for more than a quarter of a century and overseas investors now have many of the rights granted to local investors. For example, wholly owned subsidiaries may now be managed solely by the overseas investor. Yugoslavia has recently started a stock market and there is great interest in the privatisation of several industries.

The dinar is convertible, with an exchange rate linked to the D-Mark. With external reserves of $7bn, Yugoslavia is able to meet its local currency liabilities with foreign currency.

The Business Column mentioned that some eastern European countries' accounting methods are unfamiliar, sometimes non-existent. Yugoslavia's Accounting Law requires half yearly accounts and compliance with international standards. Western-style management consultancy and audit services are available from firms such as my own.

Many Yugoslavs I meet have travelled extensively and are experienced in trading with market economies. They are well aware of their need for modern technology and training, and are ready to talk about working with overseas companies.

Dragoslav Lazarevic,
Grant Thornton,
Grant Thornton House,
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Euston Square, NW1

FINANCIAL TIMES
Monday January 15 1990

Janet Bush on Wall Street

Alarm over closed-end fund growth

DEMAND for single country closed-end funds continued unabated last week despite the emergence of what looks like chronic sickness on global equity markets.

During the week, the Dow Jones Industrial Average fell 84.04 points, or 3 per cent, with 71.46 points of that coming on Friday in the aftermath of the eighth worst fall in history on *the Tokyo Stock Exchange.* Nevertheless, country funds rallied throughout last week and ran into only modest profit-taking on Friday.

The Germany Fund, up 157 per cent last year, dropped by only $1⅞ to $23½, still close to its 52-week high of $25⅛.

Many analysts now believe that the speculative inflows into country funds have reached dangerous levels. At the end of last year Mr Norman Trepper of Value Line, the stock market analysis service, noted that several stock markets – notably in Britain, Spain, Italy, Hong Kong, Thailand and Taiwan – were looking rather perilous because most major economies were experiencing inflation, rising interest rates or stagflation.

"Despite this, a number of single-country closed-end funds continue to trade at unrealistic premiums to net asset value, mainly on buying by Far Eastern investors, notably the Japanese," Mr Trepper wrote.

The Spain Fund, for example, is now trading near to a 120 per cent premium over net asset value and Taiwan, one of the stock markets regarded as most vulnerable, is trading at a premium of around 85 per cent above net asset value.

Closed-end funds raise a certain amount of capital and are then listed on an exchange and trade exactly like a stock. The price at which a fund trades is a function of demand as the amount of capital (being closed-end) never changes.

The faddish popularity of country funds has meant that their share prices have soared way above net asset value – historically, they have tended to trade at a discount.

There are some worrying elements to this bubble. First, as noted above, the current premiums enjoyed bear very little relation to fundamental economics.

Second, the popularity of this kind of investment has begun to feed on itself and new funds are being launched at an alarming rate.

Today, details are expected to be announced of the first fund investing in the Indian subcontinent, in countries such as Bangladesh, by Indosuez Asia Investment Services.

According to New York-based Kleiman International Consultants, new funds expected to be launched soon include a Lisbon-listed fund to invest in Portugal, another Malaysian fund, another Thailand fund, a Greece Fund and a number of eastern European funds.

Third, there is a more alarming prospect with talk of a number of new open-end single country funds.

The attraction of closed-end funds for emerging economies is that they enjoy the advantage of a one-off injection of capital into their stock markets. The capital comes in and stays there and country funds are widely acknowledged as having been a successful tool in developing nascent capital markets.

With more open-ended funds, these small and illiquid markets could start to see some extremely disruptive volatility as large pools of foreign capital flow in and out.

A fourth, and quite sinister element to the country fund bubble, is the overwhelming part played by Japanese investors and brokers. There is no overwhelming reason for investing in a sophisticated, liquid market such as West Germany through a closed-end fund, unlike a stock market such as Korea where a closed-end fund was *the only point of* access to foreigners.

The reason why Japanese investors (and some large US institutions) choose closed-end funds rather than investing through their brokers in a mutual fund, for example, is simply lack of sophistication. Investing in a closed-end fund means a single buy decision.

There are worrying signs that the enormous premiums enjoyed by many of these funds are partly because brokers (particularly at the large Japanese securities houses) are ramping funds' share prices by buying themselves. They then point to an enormous premium to net asset value, fool their clients into thinking that they are investment geniuses and attract even more of their money into more country funds.

See Lex

MARKET REGULATION

SEC faces battle for wider powers

By Peter Riddell, US Editor, in Washington

THE US Securities and Exchange Commission will be given greater powers to regulate and seek information from securities markets under legislation due to be taken up when Congress returns later this month.

However, some large international securities groups are resisting proposals on the collection of information and there is also an argument about whether controls should be extended over computerised programme trading and arbitrage activity between the stock and futures markets.

These disputes blocked the legislation before Congress went into recess in late November but the measure will now be taken up as a priority. The pressure for closer supervision arises from the stock market crash of October 1987 and the subsequent report of a commission headed by Mr Nicholas Brady, now the Treasury Secretary.

The key features common to versions approved both by Senate and House of Representatives' committees would allow the SEC to order a halt to trading when there are "major market disturbances" (at present just a presidential power); permit the SEC to collect new information on securities firms making very large stock trades; and would require the SEC, the Commodity Futures Trading Commission, the Federal Reserve and the Treasury to co-ordinate methods to settle stock and futures transactions to ease cash flow problems.

Picture Terry Kirk

Treasury Secretary Brady: called for closer supervision

However, some New York congressmen, reflecting the views of leading Wall Street securities' firms, have objected to the data collection provisions. This applies especially to the proposal that the SEC should be allowed to collect financial information about the affiliates of securities' firms when the affiliates' activities might affect the financial stability of the overall group. This would, for instance, cover details of exposure to the junk bond market.

These proposals are being resisted on the grounds that the information would leak to competitors. One Republican supporter of the proposals commented that, "there were a handful of large brokerage firms which exercised enough clout to hold up the bill." But Rep Edward Markey, the Democratic chairman of the relevant House sub-committee, has said, "we're going to move forward very aggressively this year. I do think something will be done."

Disagreements over programme trading have so far *attracted more public atten*tion, though no one involved wants to ban such computerised activity. The Senate version merely requires a study of such trading, but would not restrict it.

After lengthy wrangling the version produced by Mr Markey's sub-committee would allow the SEC to limit programme trading at times when the markets were unsettled.

The Treasury objected to an original draft which it thought was tantamount to banning such trading and a compromise was agreed which included powers to restrict abusive practices which had in the past caused "extraordinary and artificial market volatility."

Moscow and E Europe in row over the future of Comecon

By John Lloyd in Prague

A ROW has erupted between the Soviet Union and those east European states,led by Czechoslovakia, most committed to introducing market principles.

According to Czechoslovak ministers, the Soviet Finance Minister, Mr Valentin Pavlov, had attempted to cancel a meeting set to start tomorrow in Prague, to deal with financial and currency relations between members of the Comecon organisation.

The row follows the Comecon Congress in Sofia last week, at which it became clear that Czechoslovakia, with Hungary and Poland, saw no further function for the organisation than to provide the best conditions for its members to transform themselves into market economies.

The Czechoslovaks in particular gave notice that they would seek to end their participation in one of the agreements which make up Comecon – that signed in Karl Marx Stadt in 1966, which regulates the rates of exchange between the currencies of member countries and the convertible rouble.

However, Mr Pavlov has, say Czechoslovak officials, tried to make other member countries pull out of the planned meeting. They believe the Soviets want either to slow down the cracking pace of change which the Czechoslovaks want or to stop them pulling out of the Karl Marx Stadt agreement.

A deeper issue, also likely to be opened up in the detailed discussions in Prague, is that of compensation by the Soviet *Union to its partners once* Comecon moves to settling its internal accounts in hard currency – a move which will benefit the Soviet Union, because it has internationally valuable energy exports and discriminates against the East European economies, with substandard goods to export.

Czechoslovakia, Hungary and Poland have been most determined that some mechanism is found which allows them a transition period between Comecon trading and the rigours of the free market.

In addition,they want the Soviet market to open up fully – something the Soviets are unlikely to be able to do even if they want to. Mr Dlouhy said: "We don't want a situation where we are forced to take Soviet energy because of its price and the Soviets can pick and choose what they want from us on the say-so of a bureaucrat in Gosplan [the state planning agency]. We must be able to sell direct to Soviet enterprises."

While the differences among member countries were papered over in Sofia by a communiqué which agreed on the move to hard currency and that changes must be made, the three vanguard countries believe that they must move away from the Soviet ambit as fast as possible – constrained only by its energy supplies and their ties to its market.

They are also no longer willing to act as providers of aid to the three developing country members – Cuba, Mongolia and Vietnam. Mr Dlouhy said Czechoslovakia and Hungary had refused to agree to a normally formal statement pledging assistance to these economies. Instead,he said, "We agreed to support them according to each country's possibilities and on the basis of bilateral agreements."

He said that aid to these three countries "disappeared down a black hole" – and that they should seek the assistance of the International Monetary Fund for a "normal type of stabilisation programme".

Row brews over Belfast shooting

By Ralph Atkins, Kieran Cook and our Belfast Correspondent

THE BRITISH Government was under pressure last night to explain the tactics of Northern Ireland's security forces after undercover soldiers shot dead three young men in West Belfast on Saturday.

Mr Brian Mawhinney, Northern Ireland Minister of State, dismissed allegations that the British Army was operating a "shoot-to-kill" policy in the province. But the Government will face demands today for a full statement in the House of Commons.

The Irish Government has asked for a report on the shootings, which took place in a strongly nationalist part of the city. The incident is likely to raise fears about confidence in the security forces and could bruise relations between London and Dublin.

The Royal Ulster Constabulary yesterday put on display replica guns used by two of the dead men while robbing a bookmakers in the Falls Road. The other man, shot dead at the wheel of a getaway car, is believed not to have had a weapon. None of the men are thought to have had any links with the IRA or other terrorist organisation.

The RUC said the men, two from Belfast and one from Downpatrick in County Down, had been involved in various crimes before. One was known to have once been shot in the legs by the IRA in a so-called "punishment" shooting.

An unnamed witness said that between 30 and 40 shots had been fired by the undercover soldiers, whose identities have not been revealed. At one point, the witness said, one of those firing paused, reloaded his small sub-machine gun-type weapon, and then resumed shooting. A passer-by was slightly injured.

Under the so-called 'yellow card' rules, security forces are told that may open fire against a person if they have "reasonable grounds" for believing that a suspect is committing or about to commit and action which is likely to endanger lives.

Dr Joe Hendron, a councillor in West Belfast for the mainly Roman Catholic Social Democratic and Labour party, likened the shootings to events in Gibraltar in early 1988, when three IRA members were shot dead by the SAS. "These people were summarily executed," he said.

Mr Seamus Mallon, MP for Newry and Armagh and deputy leader of the SDLP, said a Government statement was "essential".

UK may map out short-term plan for Hong Kong democracy

By John Elliott and Robert Mauthner in Hong Kong

MR DOUGLAS HURD, the British Foreign Secretary, is considering mapping out only a short-term programme for the development of democracy in Hong Kong which is due to *start* in 1991 with limited elections.

The hope is that the Peking leadership will change its attitude in the next few years and permit more substantial reforms before the colony reverts to China's sovereignty in 1997.

This would reduce the risk of an immediate confrontation between the UK and China which could seriously damage Hong Kong's stability and prosperity. It would also enable the British Government to meet commitments which it does not feel able to avoid following the impact of June's Tiananmen Square crisis on Hong Kong's confidence.

This is one of various options being considered by Mr *Hurd, who arrived in Hong* Kong on Saturday for four days of talks. The mood is much calmer than when Sir Geoffrey Howe, then Foreign Secretary, visited the colony in July and was greeted by mass marches and demonstrations. Only 200 people marched yesterday, calling for democratic reforms.

Mr Hurd said he hoped to make a decision on the constitutional issue "within weeks." The first prize he is aiming for is agreement with China so that Britain's plans for elections in 1991 and 1995 dovetail (or converge, to use the diplomatic jargon) with post-1997 plans which are being laid down by Peking in Hong Kong's future Basic Law. Drafting of the law, which will form Hong Kong's post-1997 mini constitution, continues later this week. It is to be promulgated in March or April.

If agreement cannot be reached, Britain might announce plans before March for a third of seats on the colony's legislative council to be *directly elected in 1991* as a first step towards universal franchise. It would not specify any figure for 1995, when it would like 40 to 50 per cent, to allow time for possible leadership changes in Peking. At present China only wants 30 per cent in 1997, with no increases before 2007.

Sir David Wilson, Hong Kong's governor, failed to persuade senior Chinese officials to speed up their plans when he met them in Peking last week. However, he and his advisers have not ruled out the possibility of some easing of Peking's stance.

Mr Hurd believes that Sir David's talks were workmanlike and that there is now greater understanding.

Yesterday, representatives of the colony's right-wing businessmen lobby, the Group of 89, flew to Peking to press for faster reforms.

Mr Hurd is also having talks in Hong Kong on issues such as the Vietnamese boat people, one of whose camps he is visiting today. He will also discuss *his plans for issuing British* passports to up to 225,000 Hong Kong people, and the colony's proposed Bill of Rights.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Dubrovnik	S	11	52	Malta	C	12	54	Rhodes	S	14	57
Algiers	C	16	61	Edinburgh	F	9	48	Manchester	C	7	45	Rio de J'o	F	40	104
Amsterdam	C	1	34	Faro	S	17	63	Manila	F	31	88	Rome	S	10	50
Athens	S	11	52	Florence	S	2	36	Melbourne		–	–	Salzburg	S	3	37
Bahrain	R	11	52	Frankfurt	F	3	37	Mexico City	C	17	62	San Francisco	R	10	50
Bangkok	F	32	90	Funchal	F	17	63	Miami	C	12	54	Seoul	Sn	1	34
Barcelona	S	11	52	Geneva	C	-1	30	Milan	S	3	37	Singapore		–	–
Beirut		–	–	Gibraltar	S	16	61	Montreal	S	-22	-8	Stockholm	Sn	-3	27
Belfast	F	7	45	Glasgow	R	8	46	Moscow	F	-20	-4	Strasbourg	C	2	36
Belgrade	C	-2	28	Guernsey	C	11	52	Munich	S	-1	30	Sydney		–	–
Berlin	C	3	37	Helsinki	S	-15	5	Nairobi	F	24	75	Taipei	C	19	66
Biarritz	F	12	54	H. Kong	C	17	63	Naples	S	13	55	Tangier	F	16	61
Bombay	S	40	104	Innsbruck	S	0	32	Nassau	S	23	73	Tel Aviv	S	16	61
Bordeaux	C	8	46	Inverness	F	9	48	New Delhi	S	20	68	Tenerife	C	19	66
Brussels	C	2	36	Islamabad	F	20	68	New York	F	-3	27	Tokyo	F	5	41
Budapest	C	-4	25	Istanbul	F	5	41	Nice	C	12	54	Toronto	S	-5	23
B Aires	R	30	86	Jakarta	R	30	86	Nicosia	F	16	61	Tunis	R	14	57
Cairo	F	16	61	Jersey	C	9	48	Oporto	C	7	45	Valencia	S	13	55
Cape Town	S	27	81	Jo'burg	T	19	66	Oslo	S	1	34	Venice	S	7	45
Caracas	F	26	79	Lima	F	26	79	Paris	F	5	41	Vienna	C	-5	23
Casablanca	C	16	61	Lisbon	S	14	57	Peking	S	1	34	Warsaw	C	2	36
Chicago	C	1	34	London	R	7	45	Prague	C	1	34	Washington	F	-2	28
Cologne	R	3	37	Los Angeles	R	13	55	Reykjavik	Sn	1	34	Zurich	Fg	-4	25
Copenhagen	C	3	37	Luxembourg	R	1	34								
Corfu	S	16	61	Madrid	S	8	46								
Dallas	S	9	48	Majorca	F	13	55								
Dublin	C	9	48	Malaga	S	15	59								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Riots in Azerbaijan

Continued from Page 1

an editor at the Armenpress agency in Armenia, told Reuters that 30 people had been killed in the riots, all Armenians.

"Three were burned alive after petrol was poured over them. One of them was a pregnant woman," he said.

Virtual civil war between the two ethnic groups has already broken out in parts of Karabakh and neighbouring regions. In the region of Shaumyan, on the border between Armenia and the Karabakh enclave, virtual civil war reigns. The Armenian Communist party leader and most of his officials have been kidnapped, prompting the counter-kidnapping of 40 Azerbaijanis.

The latest upsurge in violence followed Moscow's decision to end its direct rule of the Karabakh region, handing it back to Azerbaijan, but with the Interior Ministry troops remaining in effective control. The decision infuriated both Azerbaijani and Armenian nationalists.

THE LEX COLUMN

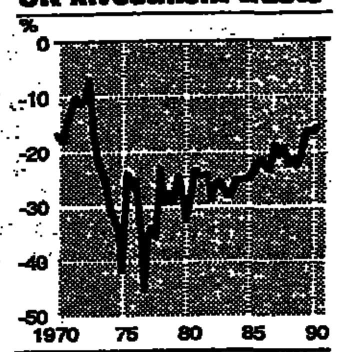
Banishing brands from the books

The best that can be said about the row over accounting for intangibles is that the profession is not fudging it. Having enraged the average UK finance director with its proposals on goodwill, the Accounting Standards Committee will today sit down to consider equally contentious proposals for the treatment of brands. No brands, whether home-grown or acquired, are to appear on British balance sheets. Those there already should be reclassified as goodwill and depreciated over 20 years accordingly.

In pure terms, the logic is hard to dispute. A brand cannot be easily disentangled from the other assets associated with it. Nor can its reputation always be separated from the reputation of its owner. That apart, the only reliable measure of a brand's value is what it could fetch in isolation in the market. As the ASC points out, there is no such market; and in any case brands tend by their nature to be unique. All present valuation methods, including those for acquired brands, are ultimately subjective and incapable of being tested.

But then, the whole idea of brand accounting was always a bit of a dodge, implemented by companies out to reflate their balance sheets without incurring extra depreciation. If these proposals go through, companies like RHM and Guinness with brands on their balance sheets will doubtless whip them off again, leaving no-one any the worse. There is a lot to be said for brands being once more subsumed under the general heading of goodwill, which looks like providing quite enough argument as it is.

Average discount on UK investment trusts



Rolls-Royce

Not so long ago, news of a new aero engine from General Electric of the US costing $1bn to develop would have been taken as evidence of Rolls-Royce's bleak long-term future. But it is hard to see much damage yet to Rolls's share price from the fact that GE is working on a new big-thrust engine, the GE-90, for new twin-engined, wide-bodied jets. Rolls's share price has outperformed the market since mid-November, and it is a fair bet that whatever GE says tomorrow about the GE-90 will not reverse that.

Partly that is because Rolls's Trent engine looks more than a match for the GE-90, and partly because of its performance in taking 30 per cent of the recent wave of new airline engine orders. But there may be another reason: It looks unlikely that Rolls will need a development programme this century on anything like the scale of the RB-211, so financial questions start to look more intriguing than technological ones anyway. One statistic: even if Rolls had been paying a full tax charge in 1988, it would still have generated cash flow of £60m after paying all its research and development, tax, dividend and capital expenditure bills. Just what you do with the spare money is an interesting conundrum.

Country funds

It is one thing for specialist closed-end funds investing in countries like Korea and Taiwan to trade at a substantial premium to net asset value. It is quite another when similar vehicles investing in countries where there are no obvious restrictions on foreign ownership, such as West Germany and Spain, suddenly jump to huge premiums. It makes one despair of efficient markets.

Six months ago the Germany Fund, which is quoted on the New York Stock Exchange, was trading at a 12¼ per cent discount. A week ago its shares were trading at a 37 per cent premium. In the following four trading days its shares jumped by nearly 50 per cent, even though the underlying West German equity market rose by less than 2 per cent. Before Friday's sell-off, the shares were thus at twice net asset value. The Spain Fund, which rose by 200 per cent last year, was trading at a 120 per cent premium last week, making some of the specialist Far Eastern funds look positively cheap. Indeed, it was only country funds investing in less prosperous places like Mexico, Brazil and the UK which were still trading at discounts.

Several reasons have been advanced to justify this rather bizarre phenomeon, none very convincing. The managers may have some specialist knowledge, but this has rarely prevented most well-managed UK investment trusts from selling at a discount. On the other hand, many of the US managed country funds are held largely by small investors, who tend to be less sophisticated than the institutional investors which dominate the UK investment trust industry.

But the primary reason is the sudden surge of Japanese interest in European country funds. Even if this continues, it cannot justify the maintenance of these valuations. For a start, the Japanese will quickly climb the learning curve and find that investing in a few core stocks like Deutsche Bank is a far cheaper way of gaining adequate exposure to the West German economy. Similarly, if investors are prepared to pay such silly premiums for much longer there is going to be a surge of similar new issues which will surely prick this speculative bubble.

Eurotunnel

The messy compromise over Eurotunnel's costs still leaves a few questions to be answered. What happens if arbitrators decide in favour of the contractors, rather than the company, on lump sum costs? And what interest rate will banks demand on the refinancing? Both issues will have a bearing on the date of Eurotunnel's first dividend payment and on the increasingly complicated calculation of future cash flows. The banks may well have decided, given the promising progress on tunnelling, that there is no alternative to forging ahead with the project, but they will be bound to want the rewards to shift in their favour and therefore away from the shareholders. And the latter might also reflect that, although Eurotunnel's exposure to overruns on tunnelling costs has been reduced, the company will still have to pay the vast bulk of any extra costs.

When all the details are sorted out and the company decides to launch the rights issue, probably to coincide with a breakthrough on the service tunnels, shareholders deserve a new prospectus, with cost and revenue projections updated. The original document now bears as much relevance to the future as a copy of Leonid Brezhnev's speeches.

FINANCIAL TIMES
COMPANIES & MARKETS
Monday January 15 1990

INSIDE

New chapter in story that has everything

The Medirace story has almost everything – the prospect of a wonderful new product, a takeover battle, a sudden climb up the corporate ladder for a tiny company and the expected emergence from obscurity of a deposed industry star. It also contains, say some onlookers, a certain amount of hype. Medirace, a drugs company formed in 1987, has created interest mainly because of its development of a new medicine called Contracan for treating AIDS and cancer. But, writes Peter Marsh, a new chapter will be opened in the Medirace story today, when shareholders vote at an extraordinary meeting in London on the terms for acquiring Evans Healthcare, a much bigger, privately-owned drugs company. Page 24

Cause for concern at the Fed

"Whatever policy brings long bond rates down is the best policy," Mr Wayne Angell, a US Federal Reserve governor, said last Friday. "When long bond rates rise, that's an indication that the tough guys playing with big money don't trust us." He and his colleagues at the Fed must, with this in mind, be increasingly concerned about the steepening of the yield curve, which continued last week and took the yield on the benchmark long bond from 8.06 per cent a week earlier to 8.17 per cent, its highest level since just before October 13 last year, when the Dow Jones suddenly plunged 190 points. Page 22

Moving the goal posts

One of the smartest ways to stay on top in business is to change the rules while you are ahead. Now that western industry has finally grasped the importance of Japanese-style production, Japan's carmakers are preparing to do just that by widening the field of competition far beyond the factory floor. If Japan's strategy succeeds, writes Guy de Jonquières in the Business Column, matching its levels of manufacturing quality and cost will still be essential – but no longer sufficient to stay competitive. The new battle will be waged around product development and production. Page 36

Market Statistics

Companies in this section

Air France flies in face of EC's aviation policy

Paul Betts and George Graham on the ramifications of the French national airline's deal with UTA

When his secretary gave him a slip of paper carrying the news that Air France was taking control of UTA last Friday evening, a senior European Commission competition official remarked that the European airline industry was now "one step closer to the nightmare scenario."

He was referring to the growing trend of big mergers and co-operation agreements between European airlines, largely designed to pre-empt the EC's efforts to introduce a more liberal "open skies" air transport system in Europe.

European Community member countries, including a reluctant French Government, agreed last month to a second package of measures to liberalise European air transport by the beginning of 1993. But the Commission has become increasingly worried that the big established carriers will seek to squeeze out new or smaller airlines by forging a series of non-aggression pacts between themselves or taking control of smaller carriers before the EC's latest airline liberalisation package comes into effect in two years.

For this reason, the EC is now expected to intervene resolutely to stem the tide of mergers and co-operation agreements between airlines, risking the creation of even greater concentration in the European airline industry than in the US, where 10 years of deregulation have seen the sector concentrated in the hands of half a dozen dominant carriers. Officials in Brussels suggested that the Commission would have to review extremely closely all the recent airline deals, including the Air France-UTA merger.

Even before the Air France-UTA deal, the French national carrier had set the ball rolling by reaching last autumn a co-operation agreement with Lufthansa, the West German national carrier, which could eventually also include Iberia of Spain. Since then British Airways, which took over British Caledonian, and KLM Royal Dutch Airlines have agreed to acquire a 20 per cent stake each in Sabena, the Belgian airline.

Scandinavian Airlines System has also acquired a 25 per cent stake in British Midland, the medium-sized UK carrier, while in the Netherlands KLM has stakes in all but one domestic carrier.

The Air France-UTA deal now appears to be the final straw for Brussels. By absorbing UTA, Air France, the national carrier, has become Europe's largest airline and the West's third largest carrier. The UTA deal has also given Air France control of Air Inter, the French domestic airline, and more than 90 per cent of the domestic scheduled air travel market.

This, coupled with the Air France-Lufthansa non-aggression co-operation pact, has virtually set into place one of the two big European airline blocks, centred on the two airline computer reservation systems, Amadeus and Galileo, the EC fears will lead to unacceptable concentration and undermine competition in what is intended to be a more open European air transport market. Indeed, UTA was once regarded as one of the potential smaller independent airlines which would benefit from a freer European air transport market in 1993.

The Air France-UTA agreement provoked at the weekend angry criticism from smaller European airlines seeking to expand in a more deregulated airline market. "France has just committed a strategic error, but I am not surprised," commented Mr Jacques Maillot, chairman of the French holiday charter group Nouvelles Frontières, denouncing "a new cartel between air carriers."

Jerome Seydoux: raised the stakes through a dawn raid on Air Inter

But Mr Gilbert Trigano, head of Club Méditerranée, the leading French tour operator, was more pragmatic. "It was inevitable. This agreement solves two problems at the same time: the future of UTA and the future of Air Inter. In order to have a trump card to play in the aviation game, France needed to have a single, large national company," Mr Trigano said.

For UTA, limited since its creation in 1963 to a handful of routes serving France's old colonies in Africa and the South Pacific, the prospects for the future were severely restricted.

The company has placed many orders for new aircraft, with the aim of more than doubling its fleet to 43 by 1994. This fleet, however, had nowhere to fly unless the French Government relaxed its stand against allowing UTA to open new routes to Europe and North America.

Mr Jerome Seydoux, chairman of Chargeurs, UTA's parent company, raised the stakes through a dawn raid on Air Inter, taking his holding in the domestic airline up to 35.8 per cent. He offered to trade this holding for freedom to develop UTA's route structure, but UTA continued to meet the same refusal over its bid for some European routes.

UTA appealed to the European Commission in Brussels against this refusal, and the Commission's ruling, expected on January 24, seemed likely to go in its favour. The sale to Air France neatly undercuts this eventuality and gives Air France, which already owned about a third of Air Inter, overall control of the domestic French carrier.

"Seydoux is selling at the top of the market: just before the Commission judgment, when UTA's nuisance value is at its maximum," said one French aviation analyst.

Air Inter's problems were less acute, with its monopoly of a fast-growing domestic market, despite the competition of the high-speed train, still limited to a few routes. But, with its capital split between Air France and UTA, it was always vulnerable to the ambitions of the national carrier, eager to add domestic connections to its international network.

The beginnings of a deal between Air France and Air Inter were sketched out in 1988, when Mr Michel Delebarre, the newly-installed socialist Transport Minister, took a first crack at reorganising France's airline sector. The reorganisation was timid, however, with Air Inter allowed to launch five European routes in close co-operation with Air France, which in turn opened links from its base at Paris-Charles de Gaulle Airport to Marseille, Bordeaux, Nantes, Lyons and Montpellier. The EC is also investigating this agreement on competition grounds.

Last July Air France took a strong grip on TAT, the regional airline which is the country's fourth largest carrier, by paying FFr240m ($42.1m) for a 35 per cent stake. Last Friday it cleaned up the rest of the domestic market: that is if the EC lets it get away with the UTA merger, which has now become a key test for the Community's new liberal aviation policy.

Facing the mirror the morning after

By Anthony Harris in Washington

In a bull market, it is failure that has a thousand fathers. The explanations for the nasty fright on Friday were as various as the people you could talk to, but they all had two things in common: they were based on facts that were already largely discounted in the markets and they missed the point.

What needed explaining, just as in the much worse fright in 1987 and several lesser ones since, was not why prices fell, but why they had risen so high before they regained touch with reality. The explanation has not changed much either.

This is a debt-ridden world, and the counterpart of those debts which still look possible to service is equally excessive liquidity. Liquidity-driven markets behave like bull markets, punctuated with panics, as reality from time to time breaks through. The underlying reality is that a world of excessive liquidity tends to drift into stagflation, as the monetary authorities struggle to contain asset price inflation.

The realities of last week were all pretty familiar. Tokyo seems, among other things, to have renewed its worries about Mr Mikhail Gorbachev and thus questioned the supposed profit opportunities in the former communist countries. Sensible people have been worried for some time. London and New York were reminded, for different reasons, that a recession is quite a strong possibility; again, not a strikingly new thought.

Finally there are the inflation figures. It is hard to believe that anyone not in the grip of euphoria can have been greatly surprised by the British problem with wages: trade unions in such multinational companies as Ford are well aware when their pay has fallen behind continental levels thanks to devaluation.

In the US the market had already discounted a rise of 0.5 per cent in producer prices in December; the actual rise of 0.7 per cent was a disappointment but hardly an earthquake. After all, apart from the forecasts of market economists the gold market and the long bond market had been giving warning signals for weeks.

What was shocking to the bulls was that this could not be put down to demand pressure; the retail figures showed the worst Christmas figures for seven years. The figure is tentative: the preliminary estimates from the Department of Commerce are often heavily revised and reports from the retail chains were rather more optimistic.

However, the markets were not in the mood to grasp at this straw. Instead they gave way to a morning-after thought: when inflation rises while the economy slows, stagflation is the only word that fits. Already the media are looking for culprits, with inquisitions of fuel oil wholesalers and other suspects.

This, by the way, is typical of the American love-hate relationship with business. The country has been thumping its chest at the triumph of capitalism, but revelling in the troubles of Leona Hemsley and Michael Millken, and forming long queues to see "Roger and Me," a populist attack on General Motors.

Populist suspicion is not altogether wide of the mark: the detailed figures show that, apart from the weather-related rises in heating and fresh food prices, some of the major culprits were tobacco, a near cartel with a rapidly shrinking market, and pharmaceuticals. Air fares are also rising rapidly in a weak market, except on the most popular holiday routes.

Deregulation has meant less, not more, competition on many routes and the airlines know an inelastic market when they see one.

However, a tougher competition policy would not be a very effective cure for inflation, because these cartelised markets account for a very small share of total spending. What looks more interesting is what is happening in the food market, which accounts for a quarter of the finished goods index. Over the last 12 months the cost of food materials has risen only 2.6 per cent and that of part-processed foods has not risen at all. But the index for finished foods has gone up 5 per cent and that for processed foods by 5.3 per cent.

This set of figures suggests cost pressures, because the food market is fiercely competitive. And since prices have also run well ahead of wage costs, the most likely culprit is the cost of capital. This, in short, could be one of the results of leveraging. Some of the big food processors are now loaded down with debt.

This ought not to be a surprise: it is, after all, a general rule that excessive debt can be resolved only through bankruptcy or through inflation, which is a generalised kind of bankruptcy. That is why central banks find themselves in such a dilemma. They may talk of achieving price stability, but they know the real choice is between continued inflation and more corporate failures.

The Wall Street fear, then, is not of a new Fed squeeze, which still looks unlikely, but simply that hopes of any further rate cuts must be deferred, despite the evident slowdown. That is clearly what President Bush has in mind when he goes publicly on the attack over interest rates, as he did last week; although the Administration's quite buoyant growth forecasts will remain the basis for the Budget arithmetic, its private thoughts must be a great deal less confident. We are likely to hear more public dissension on this subject.

Finally, to leave my American turf for a moment, it seems reasonable to describe the British dilemma in structural terms too; but the picture is very different. Corporations are still financially strong (though not as strong as a year ago), so that policy can be tightened. But the lack of competition cannot be cured by high interest rates.

This arises because British competition policy is framed in a European context.

Economics Notebook

A waning productivity miracle

WHEN THE Prime Minister starts complaining about unit labour costs, as she did in her interview with the Daily Telegraph last week, it is time to worry about productivity.

For Britain's productivity record, which was one of the achievements of the 1980s, is beginning to look tarnished.

According to the most recent Department of Employment figures, the 50 per cent advance in manufacturing productivity over the first 10 years of Mrs Thatcher's government has ground to a halt. Manufacturing output per head in the three months to October dipped fractionally below the level of the three months to July last year. The annual rate of manufacturing productivity growth slowed to 3 per cent from the 6 per cent or 7 per cent increases common in recent years.

The picture for output per head in the whole economy looks still less cheering. The seasonally adjusted productivity gain was just 0.7 per cent in the second quarter of last year compared with the same 1988 period.

In the international context, the big rebound in productivity that enabled Britain to start catching up with industry in France and West Germany only seems to have lasted until around 1986.

The Organisation for Economic Co-operation and Development has suggested that the growth rates of total factor productivity, which takes account of the productivity growth of both labour and capital, levelled off around the middle of the 1980s in the Group of Seven leading industrial countries.

OECD projections, published last month, still envisage Britain staying at the top of the G7 productivity growth league with an average annual increase of just over 2 per cent.

But the organisation issued a warning that appears prescient in the light of recent double-digit UK wage claims. It said the higher-than-expected growth and productivity and lower-than-expected inflation and wages of the early 1980s could easily be reversed if wage moderation ceased.

One simple explanation for Britain's waning productivity miracle lies that sharp decline in unemployment over the past three years is now coinciding with the slowdown in the economy caused by the Government's counter-inflation policies.

But there are some more worrying aspects, as Professor John Kay of the London Business School made clear last week at a conference about the British economy in the 1990s organised by the Institute of Economic Affairs.

Prof Kay argued that the 1980s productivity improvement largely reflected the more effective use of inputs as inefficiencies were squeezed out of the British economy.

Productivity improved particularly in industries subject to import penetration and macro-economic shock, such as the deep recession of the early 1980s. There were also strong improvements in heavily unionised or formerly nationalised industries which experienced improved working practices and privatisation.

While the 1980s showed that supply side policies work, the decade's "productivity" gains were in a sense one-off achievements. Greatly enhanced productivity in the steel, coal and newspaper industries represented the exploitation of "exhaustible sources of productivity gain".

Prof Kay concluded that there would have to be a change in the quality of inputs, and especially labour inputs, in British industry for productivity increases to be maintained in the 1990s.

In Britain's case, there is a growing consensus that expenditure on machines alone will not be enough to prepare the country for the 21st century. Improved education and vocational training are increasingly seen as priorities, particularly because trading rivals as varied as France and South Korea have set ambitious educational targets for the year 2,000.

Mr David Lomax, group economic adviser for National Westminster Bank, spoke for many at last week's IEA conference in describing the standard of vocational training and education up to school-leaving age in the UK as "appalling" and the Government's performance on education and training as "execrable".

Another speaker, Mr Walter Eltis, director general of the National Economic Development Office, pointed out that about 90 per cent of 16 and 17-year-olds in Japan and the US are in full-time education. In Britain, this applies to less than 50 per cent of 16-year-olds and only about 30 per cent of 17-year-olds.

Poor education and training produce low productivity. Mr Eltis cited economic research showing that an upgrading of 1 per cent of the labour force from unskilled to skilled can boost productivity by about 2 per cent.

Mr Eltis urged consideration of a "training credit" scheme by which young people and older workers would be offered vouchers by the Government to pay for job training provided by approved organisations.

That such an idea should be aired at a conference organised by the free-market IEA is a signal of the support building for a substantial increase in state expenditure on education and training in Britain.

Peter Norman

THIS WEEK

THE RETAIL price index for December, released on Friday, will overshadow British economic news this week, while the US, Japan and France will also gain some indication of whether last week's worse-than-expected US producer prices foreshadow more inflation to come.

The US trade figures for November will also be watched closely by a nervous market when released on Wednesday.

The consensus of analysts' forecasts, compiled by MMS, the financial research company, is for a 0.4 per cent rise in Britain's RPI in December. The annual inflation rate is forecast to accelerate to 7.9 per cent from 7.7 per cent in November.

The markets will also watch out for the figures for underlying inflation, excluding the effects of mortgage repayments. This showed a rise for the year of 6.1 per cent in November, unchanged from October.

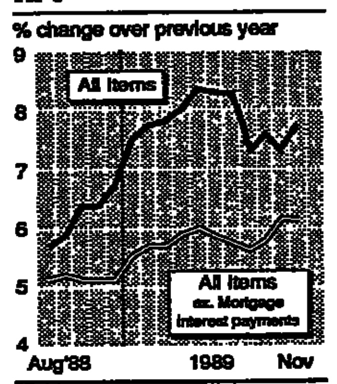
December provisional retail sales, due today, are expected to be up by 0.7 per cent for the year, indicating a partial recovery of consumer demand in Britain. Also today, producer output prices (MMS consensus up 4.9 per cent) and producer input prices (up 5.4 per cent) will give further indications of inflationary pressures.

On Thursday, Britain's average earnings figures for November are expected to show a 9.25 per cent annual rise. Among the December money supply figures, due on Friday, M0, which comprises mainly cash and notes in circulation, is forecast to rise at an annual 6.1 per cent: faster than the 1 to 5 per cent range targeted by the Treasury.

Major US figures are published on Wednesday and Thursday. The consensus is that Wednesday's trade figures will reveal a deficit of $9.5bn for November, compared with a deficit of $10.2bn for the previous month. The market expects Thursday's US consumer price index for December will rise by 0.5 per cent compared with November.

RPI

% change over previous year



In Germany, the Bundesbank Council meets on Thursday.

Projects to assist the economies of eastern Europe will be the subject of international discussions. Officials from the western industrial countries and the Comecon nations meet in Paris today and tomorrow to plan the European Bank for Reconstruction and Development in eastern Europe. The East German Economics Minister visits Bonn tomorrow.

Other events and statistics (with MMS consensus figures in brackets) include:

Tomorrow: Japan, wholesale price index (3.8 per cent increase for the year) and money supply figures. France, December consumer price index (November increase was 3.6 per cent). Karl Otto Pöhl, Bundesbank president, gives address on the D-Mark and Europe in Paris.

Wednesday: US, December industrial production. UK, public sector borrowing requirement (minus £2.2bn).

Thursday: UK, December unemployment (down 20,000), third-quarter institutional investment. US, housing starts.

Friday: Japan, December trade balance. UK, December bank and building society lending (£7bn), fourth-quarter consumption. France, November industrial production.

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

Buy-out financing for Swedish Match

IN WHAT WILL probably be the first European leveraged buy-out financing to test the international banking market in the new decade, J.P. Morgan is expected to launch into formal syndication this week $400m of senior loans to finance the management buy-out of Swedish Match from the Stora group.

The $525m buy-out of the company, which has three divisions specialising in matches, Cricket lighters and Wilkinson Sword shaving equipment, has been underwritten by Morgan.

The financing also comprises $70m in mezzanine debt, ranking below the senior loans but paying a higher interest rate, and about $55m of equity.

Morgan has sold the mezzanine debt to three institutions, described so far only as a mezzanine specialist in the UK, and two financial institutions, one in Japan and the other in Europe. The equity is placed with management, certain Swedish investors, Morgan and Gillette of the US, which is taking over part of the Swedish Match business which lies outside the European Community.

The senior loans are said to carry a maturity shorter than the seven to eight years typical of such transactions. It is not clear to what extent asset disposals are part of the company's plans.

Initial reaction was positive, providing the terms are satisfactory. Although most banks admit to a reduced appetite for leveraged transactions, this appears to be one where a spread of businesses over a number of countries should provide a large measure of comfort to lenders.

Elsewhere, Schroders concluded a £150m credit line for China Light and Power of Hong Kong. Guaranteed by the Export Credits Guarantee Department, it is to provide fixed-rate finance for purchases from the UK. Mainly available in sterling, there are also US dollar and Hong Kong dollar tranches.

Stephen Fidler

INTERNATIONAL BONDS

JP Morgan stages quiet coup in Eurosterling sector

IN A Eurosterling sector otherwise notable only for its depressed sentiment, J.P. Morgan managed to launch a successful buy-in of a £100m issue for one borrower and followed it with a new issue for another.

Although Morgan was unwilling to elaborate, the two deals appeared to be connected intimately. Investors attracted by the buy-in had a tailor-made opportunity to switch into the new bonds for a substantial pick-up in yield.

The process began with the Trusthouse Forte buy-back of its £100m 10¾ per cent Eurosterling deal maturing in 1996, launched in January last year. Morgan was appointed as the agent for the buy-in and offered to buy back the whole issue by private treaty.

The buy-in programme runs until January 17, but Morgan has already bought well over half the issue and is confident of success. Mr Donald Main, THF finance director, confirmed late on Friday that more than 65 per cent of the issue had been bought back.

Before the buy-in was announced last Thursday, the bonds were trading at 92 bid in a reasonably liquid market. According to traders, there were a few small short positions in the issue, leading to some covering.

The price rose to 92½ bid and by Friday Morgan was bidding 92¾, giving investors a potential spread over gilts of 100 basis points.

In spread terms against gilts the issue peaked last October at 144 basis points over the 10 per cent gilt-edged stock maturing 1996. Its best performance was in the weeks immediately after launch, when the tightest level of 79 basis points was reached.

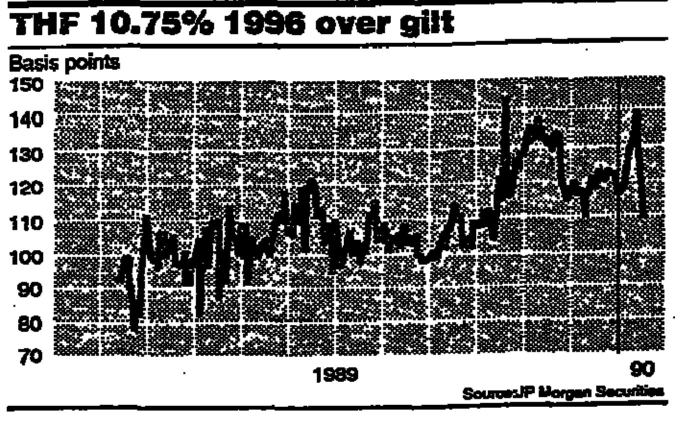
Morgan officials indicated that around 100 basis points was the approximate spread at which it was willing to purchase bonds on behalf of THF.

Traders were quickly reminded of Morgan's refinancing late last year for Redland, another UK company. Morgan bought back an expensive sterling issue and then launched an Australian dollar deal to exploit an arbitrage opportunity, giving the borrower a significant cost saving.

However, Mr Main said THF had no intention of bringing an issue in another currency to refinance the position.

He added the company intended to replace the borrowing with a series of transactions in the sterling interest rate swap market, where it would achieve a more appropriate interest rate position and lower its carrying costs. Asked what this implied about the interest rate view, Mr Main said he believed UK rates were unlikely to rise. However, he thought they were equally unlikely to come down soon.

THF 10.75% 1996 over gilt



Source: JP Morgan Securities

The deal's wider picture was confused on Friday by a fungible £50m 11¼ per cent issue for Alliance & Leicester Building Society carrying the same maturity as the THF deal. Morgan was the sole underwriter of the issue, leading to speculation that it had found one or a small number of investors to take the bonds.

Building on the supposition, traders remarked that the yield on the Alliance & Leicester paper was generous. Investors might have switched out of the THF bonds into the issue for a 20 basis point yield pick-up.

Further, after moving the funds into floating-rate sterling at Friday's swap rates, Alliance & Leicester would have achieved a funding rate of 10 basis points under Libor, well inside its normal borrowing target.

It is possible then, that Morgan has pulled off a coup, satisfying several parties and making useful profits by handling the various legs of the deals.

There was well-informed speculation that much of the THF issue had been owned by a single European investor, with one of the large German bond funds among the likeliest holders. Mr Main said Morgan had had a good notion of where roughly 40 per cent of the issue was held when it thought up the idea for the transaction.

If that is the case, then the £50m Alliance & Leicester deal might even have been a straight switch for a single account. The fact that the issue price included accrued interest indicated it was aimed at non-UK funds, which would not buy for tax reasons.

A small number of investors was probably involved, and Morgan took the opportunity to sell them a mixture of the Alliance & Leicester issue and its own J.P. Morgan four-year sterling deal. That deal had a sticky reception when it was launched early this year, and Morgan would be glad to shift more of the bonds.

Andrew Freeman

Citibank arranges HK$3.3bn syndication

By Michael Marray
in Hong Kong

CITICORP, the big US bank, has arranged a HK$3.3bn (US$423m) syndicated loan for a consortium led by Hong Kong-listed Great Eagle which is developing a site next to the territory's new Bank of China building, acquired for HK$2.7bn in a government tender last July.

The US bank has a 5 per cent stake in the consortium. It has agreed to purchase 201,000 sq ft of space in the completed building and to lease or purchase options on another 199,000 sq ft.

Citicorp also has naming rights on one of the two towers in the development, in a deal which could cost HK$2.2bn if it exercises all its options.

Japanese banks are heavily represented in the loan syndication, which has been fully underwritten by six banks.

They are Long-Term Credit Bank of Japan, Mitsubishi Bank, Sanwa Bank, Hongkong and Shanghai Banking Corporation, Hang Seng Bank, and Citibank.

Each has underwritten HK$550m, and another dozen or so banks are expected to join the syndication, with Citibank running the book.

The eight-year loan carries interest of Hongkong interbank offered rate (Hibor) plus ⅞ per cent, with a three-year grace period.

Great Eagle has a 62.5 per cent stake in the consortium, which includes Hong Kong companies Manhattan Garments and Wing Tai Exporters.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Graphtec Corp.‡◆	100	1994	4	2¼	100	Daiwa Europe	2.250
Chubu Electric Power◆	270	1997	7	9	101⅛	Nomura Int.	8.778
Japan Dev. Bank◆	150	1995	5	8⅝	101½	Mitsubishi Fin. Int.	8.247
Negase Finance Europe◆	50	2000	10	(a)	102	Bqe du Gothard Lux.	-
Daiwa House Industry‡	800	1995	5	(3¼)	100	Nomura Int.	★
Euro Cr.Card Tst 90-91◆	750	1995	5	9	100.05	UBS Phillips & Drew	8.987
UBS Finance◆	225	2002	12	9⅛	100⅜	UBS Phillips & Drew	9.073
Daiwa Bank§	100	1995	5	(3½-4)	100	Nomura Int.	★
Fuji Int. Finance◆	100	2000	10	9.1	102	Fuji Int. Finance	8.791
Elec. de France(k)◆	50	1999	9.1	9½	104.30	J.P. Morgan Secs.	8.788
Flash Ltd-Series M(m)‡◆	10	1996	6.4	(m)	100.10	Sanwa Int.	-
CANADIAN DOLLARS							
Finnish Export Credit◆	100	1993	3	11⅜	101.65	Bankers Trust Int.	10.703
Credit Suisse Finance◆	500	2000	10	Zero	38.55	CSFB	10.001
Fed.Business Dev.Bank◆	125	1992	2	11½	101⅞	CSFB	10.414
AUSTRALIAN DOLLARS							
Barclays Australia Int.◆	75	1993	3	15	101⅞	BZW	14.190
GMAC Australia (Fin.)◆	75	1993	3	15¼	101¾	Deutsche Bk Cap.Mkts	14.490
Swedish Export Cr.(r)◆	300	2005	15	Zero	17.825	Hambros Bank	12.184
NEW ZEALAND DOLLARS							
Telecom Corp.N.Zealand◆	50	1993	3	14	102	Fay, Richwhite	13.151
D-MARKS							
Akebono Brake Ind.‡◆	130	1994	4	1⅝	100	Nomura Europe	1.625
WGZ Int. Finance◆	150	1992	2	8	101	Trinkaus & Burkhardt	7.444
EIB◆	500	2000	10	8	101⅜	Deutsche Bank	7.797
Europaische Hypoth'bank◆	100	1995	5	7¾	100¼	Frankfurter Hypoth'bk	7.688
Interfin.Cr.National◆	100	1992	2	8	101¼	Bayerische Vereinsbk	7.306
ECUs							
Nippon Tel.& Tel.◆	150	1995	5	10	101⅞	Swiss Bank Corp.	9.512
Abbey National Treasury◆	50	1991	1	12	101.95	Deutsche Bk Cap.Mkts	9.858
SWISS FRANCS							
Kinugawa Rubber★★‡◆	70	1995	-	1	100	Credit Suisse	1.000
Kanagawa Electric(d)★★§	70	1995	-	Zero	100	B.della Svizzera It.	-
Elna Co.(e)★★§◆	45	1994	-	Zero	100	Yamaichi Bk (Switz)	-
Mori Steel Spring(f)★★§	35	1994	-	Zero	100	Citicorp Inv. Bank	-
Daiwa Bank(g)★★§	150	1995	-	(¼)	100	SBC	★
Scand.Airlines System◆	100	2000	-	7	100¾	UBS	6.894
Kyushu Leasing(h)★★§	75	1994	-	¼	100	Nikko (Switzerland)	0.250
Misawa Van Corp.(i)★★§	50	1994	-	¼	100	Credit Suisse	0.250
Shiga Bank(n)★★§	200	1994	-	¼	100	Credit Suisse	0.250
Suedwestdeutsche L'bk◆	65	1996	-	7¼	100⅝	UBS	7.123
Hibiya Engineering(o)★★§	50	1995	-	Zero	100	Daiwa (Switzerland)	-
Mitani Sekisan(p)★★§	40	1994	-	Zero	100	Yamaichi Bk (Switz)	-
Tomiya Apparel(q)★★§	35	1994	-	Zero	100	Banca del Gottardo	-
Saikaya Co.(s)★★§	38	1994	-	Zero	100	UBS	-
Nissen Co.(t)★★§	50	1994	-	Zero	100	Bank Leu	-
STERLING							
Bradford & Bingley(b)‡◆	50	1994	4⅓	$\frac{1}{16}$	99.80	CSFB	-
Alliance & Leicester(w)◆	50	1996	6¼	11¼	104$\frac{27}{32}$	J.P. Morgan Secs.	-
FRENCH FRANCS							
BSN(c)§◆	846	2000	10	6.6	100	Lazard Freres	6.600
Cap Gemini Sogeti(l)§◆	450	2000	10	5½	(l)	Lazard Freres	-
EIB◆	1bn	2000	10	9⅞	101⅝	CCF	9.615
LIRE							
Johnson & Johnson◆	100bn	1993	3	12⅞	101.45	San Paolo Bank	12.268
LUXEMBOURG FRANCS							
EIB◆	1bn	1997	7	9⅛	101½	BIL	8.829
ASLK-CGER Fin.(u)★★◆	900	1993	3	10	101¾	Banque UCL	9.305
Interfin.Cr.Nat.(v)★★◆	600	1993	3	10	101¾	BGL	9.305
GMAC Continental★★◆	300	1993	3	10	101½	Bqe Paribas (Lux)	9.403
PSA Finance★★◆	300	1992	2	10	101¾	C.d'Epargne de l'Etat	9.005
Banque de Gestion★★◆	300	1993	3¼	10¼	101¾	BIL	9.585
YEN							
CIBC(j)◆	5bn	1992	2	8	101⅛	Bankers Trust Int.	7.375

★Not yet priced. ★★Private placement. ‡With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) Coupon pays 55bp over 6-month Libor for 2 years, then 9.1% thereafter. b) First month, coupon pays $\frac{1}{16}$ over 1-month Libor, then over 3-month Libor. Fungible with £150m FRN launched May 1989, from Feb.1990. Call at par from May 1992. c) Part of FFr3.3bn offering. FFr846m launched internationally. d) Yield to put 3.236%. e) Yield to put 3.253%. f) Yield to put 3.282%. g) Indicated yield to put 3.374%. h) Yield to put 3.136%. i) Yield to put 3.239%. j) Redemption linked to Nikkei stock index. k) Reopening of existing $550m bond issue. l) Part of FFr1.53bn offering. Put option Feb.1995 to yield 9.48%. Issue price FFr600. m) First coupon 30bp over 5-month Libor, then over 6-month Libor. After June 1993 fixed at 9⅞%. n) Yield to put 3.188%. o) Yield to put 3.287%. p) Yield to put 3.278%. q) Yield to put 3.278%. r) Call and put Feb. 2000 at 54.763. s) Yield to put 3.279%. t) Yield to put 3.27%. u) Launched in three tranches of LFr300m each tranche. v) Launched in two tranches of LFr300m each tranche. w) Fungible with £75m bond from April. Note: Yields are calculated on AIBD basis.

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	371.0	0.0	0.0	11,757.8
Prev	205.0	240.0	35.0	4,423.9
Other	1,334.7	0.0	40.5	6,627.0
Prev	699.0	0.0	0.0	2,689.2
Secondary Market				
US$	7,057.9	927.7	4,036.0	5,608.4
Prev	4,894.1	546.2	3,517.9	4,224.7
Other	12,683.9	763.7	4,194.0	26,809.5
Prev	6,357.7	388.1	2,931.2	10,951.3

	Cedel	Euroclear	Total
US$	8,719.9	21,018.9	29,738.8
Prev	7,091.1	10,995.7	18,086.8
Other	22,031.7	29,621.6	51,653.3
Prev	8,500.4	15,516.1	24,016.5

Week to January 11, 1990 Source: AIBD

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

In search of the tough guys' trust

"WHATEVER policy brings long-bond rates down is the best policy," Mr Wayne Angell, a US Federal Reserve Governor, said last Friday. "When long bond rates rise, that's an indication that the tough guys playing with big money don't trust us."

He and his colleagues at the Fed must, with this in mind, be increasingly concerned about the steepening of the yield curve which continued last week and which took the yield on the benchmark long bond from 8.06 per cent a week earlier to 8.17 per cent, its highest level since just before October 13 when the Dow Jones suddenly plunged 190 points.

Mr Angell's remarks underlined what difficulties the Fed faces. He said he did not think that a recession was imminent but that the credibility of the Fed's language of zero inflation was on the line and that a 4.5 per cent inflation rate was not acceptable. Clearly, the market agrees with him.

The combination of no recession and upward pressure on prices is not a happy one for the bond market.

The word which will be heard more of over coming weeks (not only in the US but in many of the world's major economies) is stagflation, replacing last year's sanguine euphemism – soft landing.

World stock markets gave a clear indication of what they feel about slowing growth and upward pressure on inflation by falling out of bed last Friday. In Tokyo, the Nikkei suffered its eighth worst fall in history, *coming on the heels of* another couple of bad down days.

The Dow fall of just over 70 points was the worst bout of selling since October 13.

The Treasury bond market itself was insulated somewhat *from stagflation fears on Friday*, dropping only about ¾ point at the long end, partly because prices had been steadily eroded throughout the week in expectation of worrying figures on inflation and partly because it benefited from equity market troubles.

The figures only served to highlight the Fed's problems. The Producer Prices Index rose by a hefty 0.6 per cent once food and energy prices were stripped out. Including these, the PPI rose by 0.7 per cent for a total gain in 1989 of 4.8 per cent, the largest rise in a year since 1981.

Also published on Friday was news that retail sales had risen by only 0.2 per cent in December, giving a rise for the year as a whole of 5 per cent, the smallest annual rise for seven years.

All this has apparently left the market with a conundrum. The steepening of the yield curve suggests there is still a measure of faith in the bond market that the Fed will usher in at least another small easing in short-term interest rates to avoid a recession. Extending the economic cycle has consistently been the desire of the Administration.

However, the rise in long-dated yields suggests that the deceleration in growth will not be enough to squeeze inflation out of the economy. Is it possible that the Fed is now thinking in terms of a small monetary tightening, *at least one* which would reverse the last easing move made in December which took the Fed funds rate down to 8¼ per cent.

International developments provide another layer of worry for the bond market, which *means that rising yields in the* US may not necessarily keep money flowing in from overseas.

The reason is simple enough: yields have also been rising in other government bond markets and may continue to do so *as foreign authorities battle* their own inflation problems. A stepping up of anti-inflation rhetoric in Japan acted as the main trigger to falls in bond and stock markets around the world on Friday.

If the Japanese authorities mean what they say, interest rates could rise further and the dollar, which so far has proved resilient against the yen, could come under downward pressure, further eroding the attractiveness of the Treasury market.

Mr Robert Brusca, chief economist at Nikko Securities in New York, notes that US bonds have lost their attraction *as a pure yield play* and also as a capital gains play. The dollar has been sinking against the D-Mark and its satellite currencies. At the same time, Tokyo-based investors are currently offered the lowest bond yield advantage from switching to US bonds since late 1986.

The last time the yield spread was this tight (about 185 basis points) the yield compression lasted for several months. In each case the narrowing of the US yield advantage was corrected, he notes, by a rise in US yields.

Yield is not the only important denominator of international capital flows. The US may well lose out because of an explosion of interest in building diversified portfolios overseas (as evidenced by the surge of Japanese money into single country funds, not only in the Pacific Rim emerging economies but also minor European economies).

The advantages of global diversification have been known in theory for years but sweeping political change in Eastern Europe has served as a powerful catalyst. The enormous surge of interest in West Germany and the concomitant portfolio shift is likely to continue throughout the 1990s.

This historic shift in the *trend of capital flows is of* long-running concern to the US bond market, particularly at a time when the Treasury has to raise substantial new borrowings to finance not only the budget deficit but also the bail-out of the thrifts.

The details of the first quarterly refunding of the year are due to be announced on January 31. In the old days, hefty Japanese buying at these refundings – whatever enormous exchange rate translation losses they suffered from time to time – was taken for granted because there seemed to be nowhere else to put their money.

Mr Mikhail Gorbachev has made sure that they now have attractive alternatives.

Janet Bush

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.13	8.13	8.44	9.92	8.00
Three-month Treasury bills	7.72	7.77	7.82	9.03	7.05
Six-month Treasury bills	7.82	7.83	7.69	9.03	7.37
Three-month prime CDs	8.12	8.25	8.35	10.35	8.18
30-day Commercial Paper	8.10	8.15	8.50	9.95	8.05
90-day Commercial Paper	8.03	8.05	8.20	10.05	8.14

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	99⅝	-⅛	8.06	8.02	7.81
20-year Treasury	109[illegible]	-[illegible]	8.25	8.15	7.95
30-year Treasury	99[illegible]	-1[illegible]	8.17	8.05	7.88

Source: Salomon Bros (estimates).

Money supply: In the week ended January 1, seasonally adjusted M1 rose $2.9bn to $805.2bn.

NRI TOKYO BOND INDEX

December 1983 = 100	11/1/90	Average yield† (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	145.45	6.49	147.18	149.05	148.67
Government Bonds	144.58	6.25	146.86	149.05	148.67
Municipal Bonds	146.63	6.63	148.53	150.29	150.56
Govt.-guaranteed Bonds	148.63	6.67	150.14	151.66	151.50
Bank Debentures	140.34	6.87	141.46	143.04	142.58
Corporate Bonds	150.09	6.38	150.79	151.95	150.97
Yen-denom. Foreign Bonds	156.27	6.56	156.78	157.31	155.63
Government 10-year†	6.01	–	5.67	5.24	5.06

† Estimated par yield

Source: Nomura Research Institute

Kuwaiti banks to merge

THE KUWAITI Government plans to merge several local banks to form three or four larger institutions, Sheikh Salem Abdul-Aziz al-Sabah, the central bank governor, said in an interview in the local daily newspaper, Al-Qabas, AP-DJ reports from Bahrain.

The link would create institutions better able to compete in the international banking markets.

Kuwait has been considering bank mergers for some time as a way of reactivating the sector. Most local banks have an estimated $4bn of bad debts.

UK GILTS

Little prospect of pre-Budget rally

THE gilt-edged market's sensitivity to bad news was underlined graphically last week when it reacted badly to the Bank of England's decision to suspend reverse auctions this quarter and, later in the week, developments on the pay front.

In the space of a week the market believed it had lost its official crutch, and that allowed it to focus solely on the economy.

Given the rejection by Ford workers of a 10.2 per cent pay deal and demands by some shipping workers for 15 per cent, the market's weak tone is understandable.

By midweek, yields at the long end were propelled to more than 10.5 per cent for the first time in more than two years.

By the end of the week they recovered slightly to close just below that level.

For at least the last four years the period between the new year and the Budget has been one in which the gilt market has rallied. It is unlikely there will be a repeat this time around. Uncertainty over policy and a deterioration in the inflation outlook has altered that.

There is considerable uncertainty about the longevity of the technical factors (official purchases of gilts) which supported the market.

Few doubt they will be anywhere near as powerful in the next 18 months as they have been in the past year and a half. *Some think they will not exist at all: that, in effect, the* buy-in is over for good.

Over the short term, however, there is virtual unanimity that the buy-in has ended for the first quarter. Officials said this reflected changes to monetary policy announced by Mr Nigel Lawson, the former Chancellor, at the Mansion House in October, and the downgrading by the Treasury of its estimate for the public sector surplus in 1989-90 from £14bn to £12.5bn.

The 1990-91 outlook is more problematic. There is a substantial body of commentators who think the public sector borrowing requirement surplus will be less than the £10bn pencilled in by the Treasury in last year's Budget report.

They have been encouraged by some Treasury officials who have suggested the market will be surprised – and embarrassed – by the ephemeral nature of the Budget surplus.

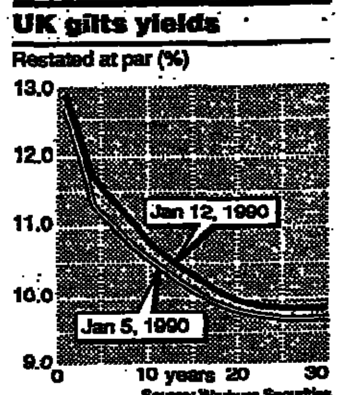
The market will also be engaged in second-guessing the discussions Mr John Major, the Chancellor, had with his Treasury team over the weekend and what they might lead to in March.

With the prospect of tax cuts virtually non-existent, discussion will concentrate on monetary policy, *its tools and* rationale, and when interest rates will start to be cut.

The Treasury is painfully aware that the current policy structure lacks coherence.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

Take, for example, three of its key indicators of monetary conditions – the exchange rate and the rates of growth of M0 and M4.

All three suggest that monetary policy is slack and that interest rates need to be raised.

The growth rate of M0, the narrow money measure, is particularly worrying, having accelerated again in December to a rate in excess of 6 per cent.

The question the Treasury is asking itself is: has the stability of M0 velocity been corrupted to the point of unreliability by financial innovation?

The Budget should provide some guide as to the Treasury's thinking on M0's misbehaviour.

Other monetary measures and analytical tools are also thought to be under consideration.

There are some adherents to M2 in the City but historical data is deficient. The US Federal Reserve's work on P-Star is interesting but sensitive to the crucial assumption of long-run growth potential.

At a general level Mr Major and his colleagues will be spending time thinking about the advisability of continuing with rules if they are bad. Markets like monetary authorities which have rules, but if the rules are misleading why have them?

Everything that Mr Major has said since becoming Chancellor has suggested he does not have the liking his predecessor had for rules.

He has spent much time talking about objectives but little, short of rhetoric, about the ways and means. The bet of some in the Treasury is that policy under Mr Major will become more discretionary and less rule-based. However, the semblance of rules will be retained, such as the Medium-Term Financial Strategy and M0 targeting.

Since 1988 funding policy has moved from an M3 to an M4 basis and now a sort of "M4.5" basis.

The money markets are awash with cash brought about by the Treasury turning a blind eye to local authorities borrowing below market from the Public Works Loans Board and re-depositing the money in the market at a higher rate – in short, round tripping.

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
AETNA LIFE & CAS 7⅛ 16	200	96¾	-⅛	8.05
AHFC O/S FIN. 11⅛ 94	100	101	0	11.42
ALBERTA PROVINCE 7¾ 91	750	97¾	0	8.60
ALBERTA PROVINCE 9⅛ 95	600	102¾	-⅛	8.71
ALCOA AUSTRALIA 11 92	80	100¾	0	10.51
AMERICAN GENERAL 9⅛ 95	100	102¼	-⅛	9.08
ANHEUSER-BUSCH 9⅛ 92	100	100⅛	0	9.02
AUSTRALIA 11 95	200	108¼	-½	8.84
AUSTRALIA 11⅛ 00	100	109⅜	-⅛	9.69
AUSTRIA 7⅛ 97	200	95	-⅛	8.73
AUSTRIA 8½ 90	250	99¾	0	8.82
AUSTRIA 8⅜ 00	175	98½	-⅛	8.86
BANK OF TOKYO 8⅜ 96	100	97⅝	-⅛	8.98
BANK OF TOKYO 10⅛ 99	150	102⅛	-⅛	10.34
BANK OF TOKYO 11 90	125	100⅛	-⅛	9.15
BARCLAYS JERSEY 10⅛ 90	250	100½	0	9.16
BARCLAYS JERSEY 10⅜ 95	250	107	-⅛	9.03
BELGIUM 7½ 91	250	98	-⅛	8.70
BELGIUM 9¼ 92	400	100¾	-⅛	8.71
BELGIUM 9⅜ 98	250	104	-½	8.92
BETAWEST PROP 7¾ 93	150	96¼	-⅛	9.04
B.F.C.E. 7¼ 93	100	95⅜	-⅛	8.80
B.F.C.E. 7¾ 97	150	94½	-⅛	8.81
BK NOVA SCOTIA 7¾ 91 SW	150	98¼	-⅛	9.11
B.N.P. 8¼ 93	125	99	0	9.11
B.N.P. 8⅜ 94	300	99½	-⅛	8.75
BP AMERICA 9⅜ 99	250	103⅛	-⅛	9.17
BP CAPITAL 9⅜ 93	150	101½	0	9.05
BP CAPITAL 11⅛ 92	150	102⅛	-⅛	9.94
BR.COL.HYDRO 11⅛ 93	200	108¼	-⅛	9.04
BRITISH TELECOM FIN 9⅜ 98	250	102¼	-⅛	8.91
CAMPBELL SOUP 10½ 95	100	102⅞	-⅛	9.78
CANADA 9 96	1.0BN	102½	-⅛	8.46
CANADA 11½ 90	500	100¼	-⅛	9.48
CANADIAN PACIFIC 7½ 96	100	91⅞	0	9.25
CANADIAN PACIFIC 10¾ 93	100	101¼	-½	10.25
C.C.C.E. 7¼ 91	113	97½	0	8.68
C.C.C.E. 9¼ 95	300	102⅛	-⅛	8.69
C.N T. 7 91	150	97⅛	0	8.66
CENTRUST SAVINGS 0 10	1.2BN	15¼	-⅛	9.83
CEPME 7¼ 92	125	97⅛	0	8.67
CHEVRON CORP 8¼ 96	300	95⅜	-⅛	9.18
COLGATE-PALMOLIVE 9½ 96	100	99½	0	9.59
COMM BK AUSTRALIA 10 93	100	103¼	-⅛	8.90
COMMERZBK O/S FIN 8⅞ 92	100	99	-⅛	9.14
CONTINENTAL GRP 11½ 93	75	94½	-⅛	13.48
COUNCIL EUROPE 8 96	100	96	-⅛	8.81
CREDIT FONCIER 7½ 94	150	96¼	-⅛	8.66
CREDIT NATIONAL 7¾ 92	100	97⅛	0	8.68
CREDIT NATIONAL 8¼ 93	200	98¼	-⅛	8.67
CREDITANSTALT 8½ 91	150	99½	0	8.90
DAIICHI KANGYO AUST 9⅛ 92	150	101¼	-⅛	8.81
DART & KRAFT 10¼ 96 A SW	100	100¼	-⅛	10.07
DENMARK 0 98	250	48¼	-⅛	8.92
DENMARK 7½ 92	500	96¾	-⅛	8.76
DENMARK 7⅝ 93	250	97¼	-⅛	8.71
DENMARK 8¼ 91	300	99⅛	0	8.67
DEUTSCHE BK FIN 9½ 99	200	102⅜	-⅛	8.94
DKB ASIA 8¼ 91	100	98⅞	0	8.87
DSM 8⅜ 91	100	99⅛	0	9.18
E.C.S.C. 8¼ 96	193	97¼	-⅛	8.77
E.E.C. 7¼ 93	250	96¼	-⅛	8.64
EIB 7⅜ 93	150	97	-⅛	8.70
EIB 7⅝ 96	250	95¼	-⅛	8.73
EIB 10 97	250	106¼	-⅛	8.77
EIB 11 91	125	102⅞	-⅛	8.68
EKSPORTFINANS 0 94	360	66¼	-⅛	8.92
EKSPORTFINANS 7⅜ 96	200	95¾	-⅛	8.80
ELEC DE FRANCE 9 98	200	101¼	-⅛	8.76
ELEC DE FRANCE 7¼ 93	125	97¼	-⅛	8.65
ELI LILLY 10⅛ 90	150	103⅛	-⅛	8.81
EMERSON ELECTRIC 9⅜ 95 SW	100	101½	0	9.28
ENGELHARD CORPN 11⅜ 92	100	101¼	0	11.09
EQUITABLE LIFE 10½ 92	100	101⅛	0	9.57
EURO CRED CARD TST 9⅛ 94	300	100¾	-½	8.99
EUROFIMA 9¼ 96	100	102	-⅛	8.81
EUROFIMA 10⅛ 93	100	103⅞	-⅛	8.64
EX-IM BANK JAPAN 9⅛ 99	200	105¼	-⅛	8.88
EXPORT DEV CORP 8¼ 91	200	99⅝	+⅛	8.60
EXPORT DEV CORP 9½ 98	150	104¼	-⅛	8.76
EXPORT DEV CORP 10 90	100	100¼	-⅛	9.26
EXXON CAPITAL 0 04	1.8BN	29⅞	-⅛	8.56
FARM CRED CORP 7½ 93	100	95⅜	-⅛	8.95
FERRO DEL STAT 8½ 93	500	99⅜	-⅛	8.71
FINLAND 7⅞ 97	200	94¼	-⅛	9.00
FINLAND 12¼ 94	75	112½	-⅛	8.93
FINNISH EXPORT 8½ 92	200	99½	0	8.77
FINNISH EXPORT 9⅜ 95	200	102⅝	-⅛	8.77
FORD MOTOR CREDIT 8¼ 90	250	99⅝	0	9.45
FORD MOTOR CREDIT 9½ 93	300	101⅜	-⅛	9.05
FORSMARKS 8⅜ 91	100	99¾	-⅛	8.91
FUJI INT FIN 9⅛ 93 (AUG)	100	101¼	-⅛	8.88
GAZ DE FRANCE 12⅛ 93	175	104⅜	0	10.49
GEN.ELEC.CAPITAL 8⅜ 91	300	99¼	0	8.81
GEN.ELEC.CRED. 12 94	200	104⅜	0	10.68
GENERAL ELECTRIC 9⅛ 93	500	101⅜	-⅛	8.64
GMAC 7 90	300	99	-⅛	11.04
GMAC 10 92	250	100⅞	-⅛	9.57
GENOSSEN ZENTRAL 14 91	100	106¼	-⅛	9.18
HALIFAX B.S. 9½ 93	200	101¼	-⅛	9.04
HEWLETT-PACKARD FIN 0 91	150	92	+⅛	8.89
HONDA INTL FIN 9⅛ 93	100	99⅞	-⅛	9.15
IBM CREDIT CORP 6⅛ 90	300	99¼	0	10.13
IBM CREDIT CORP 9½ 92	250	101½	-⅛	8.74
IBM WORLD TRADE 7⅜ 93	150	96	-⅛	8.87
IC INDUSTRIES 12 90	75	100½	-⅛	11.12
FARM CRED CORP 7¼ 96	100	95¼	-⅛	8.75
IND BK JAPAN 10¼ 92	100	103	-⅛	9.04
IND BK JAPAN FIN 7⅜ 97	200	94⅛	-⅛	8.94
IND BK JAPAN FIN 8 93	150	97¾	-⅛	8.75
INTER AMER DEV 12¼ 91	250	106¼	-⅛	8.87
ITALY 8¼ 91	200	100⅛	+⅛	8.31
ITALY 9⅛ 96	150	101⅜	-⅛	8.81
ITALY 9⅜ 99	1.0BN	104⅛	-⅛	8.80
ITT ANTILLES 11½ 92	100	102¼	+⅛	10.30
ITT CREDIT CORP 10½ 90	75	100½	0	9.41
JAPAN DEV.BK 8 94	150	97⅛	-⅛	8.72
JAPAN DEV BK 10 96	200	105½	-⅛	8.82
JAPAN HIGHWAY 9⅛ 96	180	103¼	-⅛	8.80
KANSAI ELEC PWR 10 96	350	103⅞	-⅛	9.14
KFW INTL FINANCE 9 94	300	101	-⅛	8.71
LIBERTY MUTUAL 8½ 96	150	97⅛	-⅛	8.98
LIBERTY MUTUAL 9⅛ 93	150	101	-⅛	8.80
LINCOLN NATIONAL 9⅜ 95	100	102½	-⅛	9.16
LTCB 8⅜ 93	150	99¼	-⅛	8.86
LTCB 9¼ 92	200	101	-⅛	8.82
LTCB FIN 8 97	200	94½	-½	9.09
MANITOBA 7½ 96	150	93	-⅛	8.97
MANITOBA 8¼ 91	125	99¼	0	9.03
MARKS & SPENCER 8¼ 96	150	96½	-⅛	8.97
MARUBENI 11½ 91	100	103⅜	-⅛	9.11
MERCEDES CREDIT 7⅜ 93	100	94¾	-⅛	8.89
MERRILL LYNCH 8 93	200	96⅛	0	9.26
METLIFE FUNDING 7⅜ 96	150	93½	-⅛	9.07
MITSUBISHI CORP FIN 7¼ 92	150	96⅜	0	8.99
MITSUBISHI EST 10⅜ 92	50	102⅜	-⅛	9.20
MITSUBISHI FIN(HK) 11⅛ 90	100	101	0	8.84
MITSUBISHI FIN(HK) 7⅜ 93	100	96⅛	-⅛	9.08
MITSUI TST FIN HK 7⅜ 94	200	95½	-⅛	9.09
MOBIL CORPN 10⅛ 90	200	100⅜	0	9.38
MOTOROLA 12 94	75	109⅞	0	9.40
MOUNT ISA FIN 11 95	100	104⅜	0	9.97
NAT WEST FIN 11⅛ 92	150	106¼	-⅛	9.16
NED GASUNIE 11⅛ 90	75	101⅛	-½	8.84
NEW ZEALAND 7⅜ 91	250	97⅛	-⅛	8.97
NEW ZEALAND 8 93	100	97	-⅛	9.02
NEW ZEALAND 10⅛ 95	200	102¼	-⅛	9.55
NIPPON CRED BK 7½ 91	100	97½	+⅛	8.95
NIPPON CRED BK 9⅛ 93	150	102¼	-⅛	8.94
NIPPON TEL & TEL 9⅛ 95	200	102½	-⅛	8.75
NISSAN ACCEPT CORP 9⅛ 91	150	100¼	-⅛	9.00
NORWAY 7¼ 91	500	97¾	-⅛	8.66
N.S.W. TREASURY 11⅜ 90	150	100⅝	-⅛	9.33
O.C.C.H. 8½ 93	150	98⅛	-⅛	9.07
OLYMPIA & YORK 8¼ 96	435	93¼	-⅛	9.57
ONTARIO HYDRO 11½ 94	200	109⅛	-⅛	8.83
ONTARIO HYDRO 11⅜ 90	200	101⅛	-⅛	8.96
ONTARIO HYDRO 13½ 91	100	104⅛	-⅛	8.92
ONTARIO HYDRO 15 92	150	113¼	-⅛	8.93
OSAKA PREFECTURE 9⅜ 93	140	102	-⅛	8.69
OSTER KONTROLLBANK 8¼ 93	200	98½	-⅛	8.66
OSTER KONTROLLBANK 9⅛ 92	200	101	-⅛	8.69
PACIFIC GAS & ELEC 12 00	75	112¼	0	10.00
PEPSICO INC 7⅜ 93	200	95	-⅛	9.16
PEPSICO CAPITAL 8⅜ 91	100	99	0	9.23
PETRO-CANADA 7¼ 96	200	92½	-⅛	8.84
PHILIP MORRIS 9⅞ 98	200	101½	-⅛	9.59
POSTIPANKKI 11⅛ 90	75	100⅛	0	9.37
PROCTER & GAMBLE 10 95	150	102½	-⅛	9.41
PRU.RLTY.SECS. 0 99	365	46½	-⅛	8.86
PRUDENTIAL FUNDING 7¼ 91	150	98⅛	0	8.90
QANTAS AIRWAYS 8⅜ 96	97	97⅞	-½	9.08
QUEBEC HYDRO 9¼ 98	150	105¼	-⅛	8.85
QUEBEC PROV 9 98	200	100⅞	-½	8.84
QUEBEC PROV 13 90	150	102⅜	-⅛	9.00
QUEENSLAND GOVT 10⅛ 95	100	104⅞	-⅛	9.08
RALSTON PURINA 11¼ 95	150	108	0	9.71
REYNOLDS R.J. 10⅛ 93	100	95⅞	-⅛	11.84
RICHARDSON-VICKS 11½ 93	125	102⅛	0	10.70
ROCKWELL INT 9⅞ 90	200	100¼	0	9.26
S.A.S. 10⅛ 95	150	103½	-⅛	9.31
SAINSBURY 9⅛ 96	150	99⅞	-½	9.12
SARA LEE 9⅛ 93	150	100⅛	0	9.23
SASKATCHEWAN 8½ 91	150	99½	0	8.99
SASKATCHEWAN 15 92	150	113⅛	-⅛	9.01
SEAGRAM CO 8½ 96	100	95¼	-⅛	9.42
SEARS O/S FIN 0 98	500	45¼	-⅛	9.63
SEARS O/S FIN 11⅜ 93	150	106⅛	-⅛	9.43
SEARS ROEBUCK 8½ 90	250	99⅜	0	9.35
SKANDIA INTL 7¼ 92	200	96½	0	9.11
SNCF 7¼ 94	175	95¼	-⅛	8.46
STATE BK STH AUST 9⅛ 93	100	100⅛	-⅛	9.08
STATE EL VICTORIA 10 92	100	102⅛	-⅛	9.11
STATOIL 7⅜ 94	200	94⅞	-⅛	9.19
STH AUST GOVT FIN 8⅞ 93	100	99⅛	-⅛	9.07
SUMITOMO FIN ASIA 11¼ 92	150	105⅛	-⅛	9.02
SUMITOMO TST 7⅜ 91	100	98⅛	0	8.90
SWEDEN 7 92	250	97	0	8.65
SWEDEN 8⅛ 94	150	97⅛	-⅛	8.73
SWEDISH EXPORT 8⅜ 91	200	99⅞	0	8.72
SWEDISH EXPORT 9⅜ 93	100	102⅛	-⅛	8.55
TAIYO KOBE 7⅜ 94	100	95½	-⅛	9.11
TENNECO CORP 10⅛ 95	150	101⅜	-⅛	10.27
TOKAI ASIA 11½ 95	100	109	-⅛	9.26
TOKYO METROPOLIS 8⅛ 96	200	97⅛	-⅛	8.82
TORONTO-DOM 8 90	100	99⅛	-⅛	9.44
TOYOTA MOTOR FIN 8 91	200	99	0	8.90
UNILEVER CAP CORP 9⅞ 92	150	102⅜	0	8.72
VICTORIAN PUB AUTH 8⅜ 96	100	96¼	-½	9.14
WARNER-LAMBERT 8⅛ 96	100	95¼	-½	9.15
WELLS FARGO 13⅜ 91	100	106	0	9.36
WORLD BANK 7 92	300	97¼	+½	8.54
WORLD BANK 9 97	300	101⅜	-⅛	8.72
WORLD BANK 11½ 90	150	101½	0	8.42
XEROX CORPN 8⅛ 96	100	95	-⅛	9.40

FLOATING RATE NOTES	Issued	Bid price	Chg on week	C.cpn
ABBEY NATIONAL ⅛ 00 £	150	100	0	15⅛
ALASKA HOUSING 1/10 01	125	99⅛	0	8⅝
ALBERTA, PROVINCE ⅛ 93	500	100	0	8¼
ALLIANCE & LEICS 0.08 94 £	300	99⅞	0	15⅛
ALLIANCE & LEICS 0.1 95 £	150	100	0	15⅛
AMERICAN S & L 0.15 96	200	99¾	0	9⅛
ANZ BANKING 0.15 PERP	300	89¼	0	8⅞
B.C.I. 0.15 98	300	98⅛	+⅛	9⅛
B.F.C.E. -0.02 96	350	99⅞	0	8⅛
B.N.P. ⅛ 95	400	100½	-⅛	8⅞
B.N.P. 05	300	99½	+⅛	8⅛
BANCO DI NAPOLI INT 91	150	99⅞	+½	8⅛
BANCO DI SICILIA ⅛ 92	100	99⅞	0	8¼
BANCO ROMA 0.03 01	200	97⅞	+⅛	8⅛
BANK OF BOSTON ⅛ 00	200	85⅞	-⅛	8⅞
BANK OF CHINA ⅛ 92	200	99⅛	0	8⅛
BANK OF GREECE ⅛ 99	250	99½	0	9⅛
BANK OF MONTREAL 1/20 98	250	98	0	8⅞
BANK OF MONTREAL ⅛ 96	250	98⅞	-⅛	8⅞
BARCLAYS O/S INV ⅛ 04	350	99	0	9⅛
BBL INTL 0.05 01	200	97¼	+½	8⅛
BELGIUM ⅛ 97 DM	500	99⅞	0	7⅛
BILBAO INTL 0.035 01	150	98⅞	-⅛	8⅛
BIRMINGHAM MID ⅛ 98 £	100	99⅞	0	15¼
BRITANNIA 1/10 96 £	150	99⅞	0	15⅛
C.C.F. 97	250	99½	+⅛	8⅛
CARTERET ⅛ 96	125	99¾	0	9
CENTRAL INTL 1/10 00	150	99⅞	0	8⅛
CENTRUST SAVINGS 0.03 96	200	99⅛	0	8⅞
CHASE MANHATTAN ⅛ 93	150	99½	0	8¼
CHASE MANHATTAN ⅛ 09	400	93¾	-⅛	8⅛
CHASE MANHATTAN ⅛ 00	250	96½	-⅛	8⅛
CHELT & GLOUC B.S. ⅛ 94 £	125	99⅞	0	15⅛
CHEMICAL N.Y. ⅛ 97	250	93¼	-⅛	8⅛
CITICORP ⅛ 98	500	97¼	-⅛	8⅞
CITIZENS FED 0.15 96	100	100	+⅛	9⅛
COMALCO FIN 93	100	99⅞	0	8⅛
COMM BK AUSTRALIA 0.15 PERP	300	100	+⅛	8⅛
COMMERZBK O/S FIN 93	200	99⅞	0	8⅛
COUNCIL EUROPE 93	50	99⅞	0	8⅛
CREDIT DU NORD ⅛ 97	100	99⅞	0	8⅞
CREDIT FONCIER ⅛ 97	15.0BN	99¾	0	5⅛
MILK MARKETING ⅛ 93 £	75	99⅞	0	15¼
CREDIT LYONNAIS ⅛ 99	250	99⅞	0	8⅛
DENMARK -1/8 96	1.0BN	99½	0	8¼
DRESDNER FINANCE 91 XW	250	99⅞	0	8⅛
ENI INTL BANK 91	200	99⅞	0	8⅛
FERRO DEL STAT 94	200	100½	0	8⅞
FERRO DEL STAT 97	420	100⅛	+⅛	9⅛
FIRST BANK SYSTEM ⅛ 97	100	94⅞	-⅛	8⅛
FIRST CHICAGO ⅛ 96	125	98½	+⅛	8⅛
FORTUNE FEDERAL ⅛ 92	100	99⅞	0	8¼
GT AMER FST SAV ⅛ 92	100	99⅞	0	8⅞
HALIFAX B.S. 1/10 94	200	100	0	15⅛
HALIFAX B.S. 2/25 96 B £	150	99⅝	0	14⅞
HESSISCHE LANDESBK 96	100	99⅝	0	8⅞
HOUSEHOLD BANK 0.15 96	100	100	0	8⅞
ICELAND ⅛ 00	125	99⅛	0	8⅞
IRELAND 5 00	300	99⅞	0	8⅞
INVESTORS IND ⅛ 94 £	125	100	0	15⅛
ISVEIMER ⅛ 90	175	99⅞	0	8½
KB IFIMA 0.15 11	150	95⅞	0	8¼
LEEDS PERMANENT ⅛ 96 £	200	100	0	15¼
LIVES ⅛ 92	150	99⅞	0	9⅛
LLOYDS BANK 1/10 PERP	600	88¼	0	9⅛
MAES FUNDING 0.325 18 £	200	100	0	15⅛
MALAYSIA ⅛ 05	650	98½	0	9⅛
MARINE MIDLAND ⅛ 09	150	92⅝	-½	8⅞
MELLON BANK ⅛ 96	250	96¼	0	8⅛
MIDLAND INTL FIN ⅛ 92	150	99⅞	+⅛	8½
MITSUI FIN ASIA ⅛ 96	100	100	0	9⅛
MORGAN J.P. ⅛ 97	250	99½	0	8⅞
MORGAN STANLEY ⅛ 93	200	99½	0	8⅞
NATIONWIDE 0.08 96 £	300	99¾	-⅛	15⅛
NAT BK CANADA ⅛ 96	200	99⅛	-⅛	8⅞
NAT WEST FIN ⅛ 05	400	98⅝	+⅛	8⅝
NAT WEST C⅛ PERP	500	92¼	+⅛	8⅛
NATL PROVINCIAL ⅛ 96 £	200	100	0	15¼
NEW ZEALAND 93	500	99¾	0	8⅞
NEW ZEALAND ⅛ 96	250	99⅞	0	8⅛
NJK FINANCIAL 1/5 99	100	99⅝	-⅛	8⅛
NHL 2ND FUNDING 0.275 14 A £	100	99⅞	-⅛	15⅝
NORTHEAST SAVINGS 1/10 96	150	99⅝	-⅛	8⅞
NORTHERN ROCK ⅛ 95 £	100	99⅞	0	15⅛
PNC FIN ⅛ 97	100	98¼	+⅛	8⅛
PORTUGAL 0.05 93	700	99¼	0	8⅛
PROVINSBANKEN 91	100	99⅞	0	9
QUEBEC HYDRO 02	200	99¼	+⅛	8¼
RENFE 98	500	99⅞	0	8¼
SANTA BARBARA S&L ⅛ 96	200	99⅞	0	8⅛
SANWA INTL 0.10 93	100	100	0	8⅝
SCOTLAND INTL FIN ⅛ 92	100	99¼	0	9⅛
SEC.PACIFIC ⅛ 97	250	97	0	8⅛
SOCIETE GENERALE ⅛ 94	200	100	0	8⅞
SOCIETE GENERALE 96	300	99½	0	8⅛
STATE BK NSW ⅛ 98	250	100	0	8⅞
TAIYO KOBE ⅛ 04	100	100	0	8⅝
TAKUGIN ⅛ 94	100	100	0	8⅞
REGIE OLYMPIQUES 94	250	99¼	0	8⅛
UNITED KINGDOM -1/8 96	4.0BN	100	0	8¼
VEREINSWEST O/S 91	100	99⅞	0	8⅞
WARBURG S.G. ⅛ 06	200	96¼	0	8⅛
WELLS FARGO ⅛ 97	250	97⅝	-⅛	8⅞
WELLS FARGO ⅛ 94	150	98⅞	-⅛	8⅛
WOODSIDE FIN (JULY) 97	300	99¾	0	8⅞
WOOLWICH EQUITABLE ⅛ 93 £	200	100	0	15⅛
YORKSHIRE B.S. 1/10 94 £	100	99⅞	0	15¼

CONVERTIBLE BONDS	Issued	Bid price	Chg on week	Prem
AMERICAN BANKERS 5¾ 01	70	90⅛	-⅛	47.73
ARGYLL GROUP 4½ 02	60	97⅞	-⅛	34.54
BOND FINANCE (EXCHANGE) 6 98	103	96¼	+⅛	-9.59
CANON 3 00	100	267⅛	+⅛	-2.09
EASTMAN KODAK 6⅛ 01	300	99¼	-1⅛	19.62
ELDERS UK 5 97	75	106⅞	+8⅛	-9.71
FUJITSU 3 99	180	216	0	-1.80
GOODYEAR TIRE 6⅞ 03	150	84½	-1⅛	55.54
GRACE (WR) 6¼ 02	150	93½	-1	22.09
GRAND MET 6¼ 02	100	102½	-⅛	4.45
INTL PAPER 5¾ 02	200	93⅞	-2⅛	18.06
KYOWA BANK 1½ 02	100	126	-3⅛	6.75
MCA 5½ 02	300	99¾	-1⅞	15.72
MITSUBISHI BK 1⅛ 02	300	111⅜	-4⅛	-0.62
TEXAS INSTRUMENTS 2¾ 02	300	77½	-⅛	79.13
NIPPON ELECTRIC 2⅛ 00	150	245	-8½	-2.81
SAITAMA BANK 1⅛ 02	100	108¼	-3½	-0.47
OMNICOM 6½ 04	100	104½	-2	16.32
PIONEER CONCRETE 9½ 98 AS	175	81	-⅛	9.33
ROCKEFELLER CENTER 0 00	952	36½	-⅛	-62.70
SANWA BANK 1⅛ 02	300	98⅛	-½	-1.40
THORN EMI 5⅛ 04 £	103	109	-⅛	1.25

YEN STRAIGHTS	Issued	Bid price	Chg on week	Yield
ALLIED-SIGNAL 6⅛ 93	20.0BN	99¼	0	7.04
AUSTRIA 4⅛ 94	30.0BN	93⅛	-⅛	6.59
AVON CAPITAL 6⅛ 91	26.0BN	98¾	0	7.46
BARCLAYS O/S INV 6 96	40.0BN	97¼	-1½	6.51
B.F.C.E. 5⅜ 96	22.0BN	95⅝	-1½	6.61
CANADIAN PACIFIC 6⅜ 96	10.0BN	101½	-⅛	6.44
DENMARK 6⅛ 92	20.0BN	100¼	-⅛	6.63
EIB 4⅜ 92	30.0BN	96	-⅛	6.70
EIB 4⅝ 94	40.0BN	92¾	-⅞	6.61
EUROFIMA 6½ 95	15.0BN	100⅛	-1	6.48
FED.NAT.MORT. 6⅞ 92	50.0BN	100½	-⅛	6.78
GMAC 6½ 90	25.0BN	99¼	-⅛	9.24
IBM CREDIT CORP 5⅜ 91	18.0BN	98⅛	-⅛	7.21
ITT 6⅜ 92	20.0BN	99¾	-⅛	7.14
MCDONALDS CORP 6½ 92	25.0BN	99¼	-⅛	6.89
NEW ZEALAND 7⅛ 90	15.0BN	100¼	0	6.83
NORWAY 5⅛ 95	50.0BN	94	-1¼	6.52
PENNEY J.C. 6⅛ 92	28.0BN	99½	-⅛	6.96
PHILIP MORRIS 6⅛ 91	20.0BN	99½	-⅛	7.00
SALLIE MAE 6⅛ 92	25.0BN	99⅞	-⅛	6.68
SWEDEN 5⅜ 95	20.0BN	95⅝	-1½	6.50
GENERAL ELECTRIC 5⅛ 93	35.0BN	96⅛	-⅛	7.04
WORLD BANK 7⅛ 93	20.0BN	103½	-⅛	6.57

LUXFR STRAIGHTS	Issued	Bid price	Chg on week	Yield
COUNCIL EUROPE 7 94	600	94⅛	-⅛	8.56
GALVALANGE 7 95	400	94½	-½	8.41
IMMOBILIERE MATCH 7½ 94	1.0BN	94½	-1⅛	8.92
KLEINWORT BENSON 7 94	600	92⅛	-⅛	9.09
WORLD BANK 8 96	1.0BN	97½	-⅛	8.52

GUILDER STRAIGHTS	Issued	Bid price	Chg on week	Yield
A.B.N. 5½ 92	150	94	0	8.75
A.B.N. 5⅜ 92	100	95¼	0	8.89
AMRO BANK 6⅛ 92	150	95¼	0	8.34
DENMARK 8⅛ 91	100	99¼	0	8.64
HEINEKEN 6⅛ 91	150	97½	0	9.08
OSTER KONTROLLBANK 7 90	100	99	0	8.81
RABOBANK 5⅜ 93	150	92⅛	0	8.47
RABOBANK 6½ 92	100	95⅛	0	8.43
WORLD BANK 5⅛ 92	100	94½	-⅛	8.55
WORLD BANK 6⅛ 91	100	97¼	0	8.78

CANADIAN DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
A.I.D.C. 10⅛ 93	100	96⅛	-⅛	11.32
ALBERTA PROVINCE 10 92	500	97⅛	-⅛	11.09
BK MONTREAL REALTY 10⅛ 92	75	98	+½	11.61
BCE INC 9⅛ 93	300	95½	-⅛	11.30
BRITISH COLUMBIA 12⅛ 91	100	100½	+⅛	11.93
DENMARK 11⅛ 91	100	99⅛	0	12.46
FARM CRED CORP 9 91	100	96	0	11.64
GEN.ELEC.CAPITAL 10⅛ 93	175	98⅛	0	10.62
LAVAL CITY 10⅛ 96	40	96¼	-1	11.61
MONTREAL TRUSTCO 8⅛ 92	100	93½	-⅛	11.82
NEW BRUNSWICK 10⅛ 01	150	99¼	-⅛	10.85
ONTARIO HYDRO 10⅞ 99	500	100¼	-⅛	10.73
ROYAL TRUSTCO 10⅛ 90	75	98⅛	-⅛	12.63
ROYAL TRUSTCO 10¼ 93	100	96¾	-⅛	11.41

ECU STRAIGHTS	Issued	Bid price	Chg on week	Yield
ALL NIPPON AIRWAYS 9 95	130	94⅞	-⅛	10.27
ANZ BANKING 10⅛ 91	50	99⅛	0	11.03
AUSTRIA 7⅛ 93	125	93	-½	10.00
B.F.C.E. 8⅛ 93	150	94⅛	-⅞	10.56
B.F.C.E. 9⅜ 92	100	98¼	-⅛	10.72
B.N.P. 9⅛ 92	100	97⅛	-½	10.23
C.N.T. 7⅜ 94	100	92½	-⅜	10.10
CHRYSLER FIN 9 92	75	95¼	0	11.01
C.N.A. 7⅛ 95	120	90	-⅛	9.87
CREDIT FONCIER 7⅜ 94	330	91⅛	-⅛	10.13
CREDIT LYONNAIS 6⅛ 92	175	92⅞	-⅛	10.14
CREDITANSTALT 8⅞ 94	67	94¼	-⅛	10.44
DENMARK 7⅛ 96	250	89¼	-1	10.01
E.E.C. 11⅛ 91	50	100¼	-⅛	10.91
EIB 7½ 96	150	90½	-⅛	9.57
EIB 10⅛ 94	130	98⅛	-½	10.52
ELEC DE FRANCE 8⅜ 99	200	93⅛	-1	9.75
EURATOM 7⅜ 96	100	86¼	-⅛	10.24
EUROFIMA 7⅜ 95	165	89	-⅛	10.46
FINNISH EXPORT 7⅜ 92	100	93⅛	-½	10.78
GILLETTE CO 7½ 93	55	90⅛	+⅛	11.01
IBM WORLD TRADE 8⅛ 90	150	98	0	11.91
IND BK JAPAN FIN 8⅛ 93	100	93⅛	-⅛	10.51
INTER AMER DEV 10 93	100	98¼	-⅛	10.61
LVMH 8 93	150	92	-½	10.77
MORGAN GTY TST 8½ 90	100	97⅞	0	12.03
NEW ZEALAND 7⅜ 93	200	92½	-⅛	10.64
PECHINEY 10 90	50	99¼	-⅛	13.72
REYNOLDS R.J. 8⅛ 92	125	94	0	12.72
SEC.PACIFIC AUST 8⅛ 90	100	98½	0	11.92
SUMITOMO FIN ASIA 9 93	75	96⅛	+⅛	10.24
SWEDEN 7½ 93	250	92½	-⅛	9.94
VICTORIAN PUB AUTH 8⅞ 90	75	97⅞	0	11.48
WORLD BANK 7½ 94	150	90⅛	-⅛	10.15

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
BMW FINANCE 14½ 92	100	99⅛	-⅛	14.62
EUROFIMA 13 95	75	97⅛	-⅛	13.75
GMAC AUSTRALIA 14⅛ 91	60	100¼	-⅛	13.81
WORLD BANK 14⅛ 94	75	101⅞	-⅛	13.62

STERLING STRAIGHTS	Issued	Bid price	Chg on week	Yield
B.N.P. 9⅞ 93	75	90⅛	-½	13.43
BARCLAYS JERSEY 9½ 93	250	90⅜	-⅛	13.18
BRITISH OXYGEN 11⅛ 91	50	95¼	0	15.28
E.E.C. 11⅛ 94	50	96⅛	-½	12.59
EIB 10 97	300	91	-⅛	11.96
FORD CREDIT FUNDING 9⅛ 93	50	90⅛	-⅛	13.40
HALIFAX B.S. 9⅜ 93	100	89¼	-⅛	13.38
INTER AMER DEV 11⅛ 95	75	96⅛	-⅛	12.29
IRELAND 11⅛ 94	50	94⅛	-⅛	13.03
KREDIETBK INTL 10⅜ 92	50	94⅞	-⅛	13.97
LAND SECS 9½ 07	200	78	-⅛	12.68
LEEDS PERMANENT 9⅛ 93	50	89	-⅛	13.47
MITSUBISHI FIN(HK) 11 90	50	97¼	0	17.25
NORWAY 10⅛ 94	200	93¼	-⅛	12.53
SAINSBURY 10⅞ 93	100	93⅞	-⅛	13.51
WORLD BANK 11⅛ 95	100	95⅞	-⅛	12.30

EQUITY WARRANTS	Expiry Date	Bid price	Chg on week	Prem
ASAHI BREWERIES	17/08/93	20⅛	+⅛	21.21
ASAHI CHEMICAL	25/09/91	55⅛	-½	2.47
CASIO COMPUTER	16/09/92	28⅞	+1¼	23.54
DAIWA HOUSE INDUSTRY	04/06/92	23¼	-4⅛	87.62
FUJITSU	20/04/93	24¼	-⅛	29.28
GUNZE	07/05/92	56¼	-6¼	-1.75
KINKI NIPPON RAIL	31/08/94	52⅛	-4	3.04
KIRIN BREWERY	23/07/92	17¼	-1⅞	42.94
MEIJI	27/12/91	53⅛	+⅛	6.14
MITSUI REAL ESTATE DEV	20/03/92	46	-7⅛	11.10
NIPPON MEAT PACKERS	17/09/92	22	-1¼	22.53
NIPPON OIL	14/08/92	49¼	-8½	8.22
SAPPORO BREWERIES	25/05/92	20¼	-3⅛	27.17
TDK	25/10/91	67	+7	-1.07
TOYO SASH	27/04/93	60⅞	+4⅛	-1.55
TOYOTA MOTOR	15/07/92	43¼	0	0.85
UNY	17/06/91	73½	-5⅞	-1.09
YAMANOUCHI PHARM	30/06/92	22⅞	+1⅛	35.13

BOND WARRANTS	Expiry Date	Bid price	Chg on week	Yield
CHRYSLER FIN 10⅞ 94	02/03/94	25	-10	9.60
CREDIT FONCIER 10⅛ 98	07/03/93	170	+20	9.80
DENMARK 12⅞ 92	31/01/90	—	—	—
GMAC 8⅛ 95 B	11/02/91	14	0	8.39
HEINZ H.J. 7½ 96	01/10/90	4	-1	7.41
NORDIC INV BANK 10 96	27/03/96	45	-5	9.01
S.A.S. 9⅛ 03	03/06/91	39	-9	8.73

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: *US dollars unless indicated.* Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on JANUARY 12

BAe strike prompts staff transfers at Aerospatiale

By George Graham in Paris

AEROSPATIALE, the French state-owned aircraft and missiles manufacturer, has had to transfer workers from its Toulouse production lines as a result of the strike at British Aerospace, which is holding up work at the Airbus airliner consortium in which the two companies are partners.

Mr Henri Martre, chairman of Aerospatiale, said that about 200 employees had been transferred from Toulouse to work on the company's helicopter plant at Marignane. This was because of the slowdown in the Airbus assembly line.

He warned that the British Aerospace strike, which has stopped the delivery of the wings which BAe makes for the Airbus consortium, could have serious consequences on Airbus's relations with its customers, particularly if it lasted longer than the recent strike at Boeing, Airbus's main rival.

Mr Martre said Aerospatiale had booked record orders of FFr66bn ($11.5bn) in 1989, up 72 per cent from the previous year, taking the company's total outstanding order book to FFr90bn.

Sales in 1989 totalled FFr31.5bn, up 12.5 per cent from 1988, but the group was not yet able to tell whether it would be in profit because of currency problems.

According to Mr Martre, the dollar, the currency in which Aerospatiale has to compete, was at least 15 to 20 per cent undervalued and whether the company reported a profit would depend on the size of the provision it decided to make for this.

"I consider that compared with my main competitors, the US companies, I have a handicap of 20 per cent coming from a factor which we can do nothing about," he said.

Indosuez to bid for Dutch broker

By Laura Raun in Amsterdam and George Graham in Paris

BANQUE INDOSUEZ, the French investment bank, plans to take over Kooijman, a rapidly growing Dutch stockbroking house, in a move to plug the last remaining gap in its European brokerage network.

The bid is expected to amount to about Fl 35m ($19.4m) although it is not yet clear whether it will be made in cash, equity or a combination. The Kooijman share price closed at Fl 21 on Wednesday and trading has been suspended since then.

Banque Indosuez has widespread brokering interests with W.I. Carr in London and the Far East, Cheuvreux de Virieu in France and Marcard, Stein in West Germany.

Mr J.D. Gerritse, vice chairman of Kooijman, said the link-up with an international, financially strong partner was logical in view of the growing globalisation of the securities business.

Kooijman engages in securities sales, trading and underwriting. Based in Amsterdam, it has an office in London and last year bought the half share it did not already own in a capital markets joint venture with Arab Banking Corporation of Bahrain.

Kooijman has share capital of Fl 19.9m. Its earnings plunged to Fl 900,000 in 1988 but rebounded to Fl 1.5m in the first half of 1989.

About 36.5 per cent of the shares are publicly traded, another 51 per cent are in management and employee's hands, 7.5 per cent is held by Nederlandse Participatie Maatschappij, a Dutch venture capital company, and 5 per cent is owned by Verenigde Spaarbank, the biggest savings bank in the Netherlands.

Income at Océ increases 11%

By Laura Raun

OCE-Van der Grinten, the Dutch copying machine maker, showed preliminary net income for last year up by more than 11 per cent to Fl 85m ($47.2m).

The increase was due to the "excellent performance" of design engineering copiers as well as a good showing in office systems and the acquisition of Océ Graphics, according to Mr Henk Bodt, chairman. Revenue jumped 14 per cent to more than Fl 2.1bn in 1989.

Mr Bodt said that on the basis of this performance he was "positive about the prospects for 1990."

Metal Leve in EC link

By John Barham in Sao Paulo

METAL LEVE, one of Brazil's leading engine component manufacturers, is to begin construction of a $100m factory in Portugal this year, its second foreign investment.

Mr Jose Mindlin, the company's owner and president, said the investment in Portugal would provide a bridgehead within the European Community prior to unification in 1992. The Portuguese Government will back the new unit with incentives and its IPE development agency may also take a substantial minority stake in the subsidiary.

Metal Leve set up its first overseas factory in the US in 1988 to supply diesel engine components to Caterpillar, one of its key clients.

A rising number of Brazilian companies are investing abroad to overcome Brazil's isolation and to provide a hedge against the increasingly turbulent domestic market. Cofap, the country's largest components company, also plans to invest $100m in an EC country this year.

Exporters fear the emergence of a protectionist Fortress Europe and thus plan to source their European markets from the EC. Export markets generated 12 per cent of Metal Leve's 1989 sales of $410m.

Consortium buys into S African wood group

By Jim Jones in Johannesburg

PLATE GLASS & Shatterprufe Industries (PGSI), the South African-owned glass and wood group, has relinquished absolute control of its overseas wood interests to a consortium of American and European private investors.

Wood International (WI), PGSI's non-South African timber division, is one of the largest individual South African investments abroad, with interests ranging from sawn timber through to finished wood products distributed in Europe, south-east Asia, Australia and the Americas. Competition has been particularly intense in Australia and the US.

Whitestone Investments, owned by the investor consortium, is to invest $55m in WI in exchange for half of Wood Products International (WPI), which in turn will acquire all of WI's operating interests.

PGSI will hold 49 per cent of WPI and the residual 1 per cent will be owned by an international management trust.

Rapid expansion of the international side has been hampered for more than a year by cash-flow difficulties. US and Australian business development costs have been particularly heavy at a time when exchange controls have prevented the South African parent from funding its overseas interests except through the unfavourable financial rand market or by borrowing offshore.

The company says the stage has been reached where additional capital and expertise are needed and negotiations on refinancing the interests have been taking place for several months.

Mr Bertie Lubner, PGSI's joint chairman, was reluctant to specify the overseas division's profits. Foreign timber interests generated about R350m ($140m) in sales last year and overseas timber and glass interests at present contribute a little more than 40 per cent of the operating profit. Recently PGSI ascribed part of an increase in its interim turnover to stronger foreign sales and exports.

Sales surge at Ciba-Geigy, Sandoz

By John Wicks in Zurich

TWO BIG Swiss chemicals companies have reported strong sales rises for 1989, although turnover abroad was inflated by a weaker Swiss franc.

Group sales of Ciba-Geigy rose 17 per cent to a record SFr20.6bn ($13.7bn) – in terms of local currencies the gain was 11 per cent.

Changes in consolidation resulted from the sale of the Ilford photographic division to International Paper and the acquisition of Toledo Scale of the US, adding a net SFr90m to turnover.

Ciba-Geigy, which is to announce profits and dividends next month, booked increased sales in all product groups. Pharmaceuticals rose 20 per cent to SFr6.17bn, agrichemicals climbed 14 per cent to SFr4.24bn, and dyestuffs and chemicals leaped 17 per cent to SFr3.01bn.

Elsewhere, sales of additives advanced 15 per cent to SFr1.92bn and plastics 14 per cent to SFr1.85bn. Electronic systems grew 57 per cent to SFr1.73bn, reflecting the takeover of Toledo Scale. This year, however, will see a marked decline in the sector following the divestment of Spectra-Physics in the US and Gretag, a Swiss subsidiary.

Sandoz expects "significantly higher" consolidated earnings for 1989 after a 23 per cent rise in turnover to SFr12.49bn. The previous year's group profits had already improved by 21 per cent to SFr761m on a 13 per cent increase in sales to SFr10.15bn.

Sales of pharmaceuticals advanced 23 per cent to SFr5.66bn and chemicals by 21 per cent to SFr2.06bn. Above-average growth was booked for agrichemicals, up 31 per cent to SFr1.16bn. The construction and environment side rose 26 per cent to SFr1.10bn, and the seeds division saw turnover climb 30 per cent to SFr770m.

The nutrition division booked a 15 per cent increase to SFr1.39bn.

Abbott Laboratories earnings rise 14%

By Alan Friedman in New York

FOURTH-QUARTER net earnings rose 13.8 per cent to $253m at Abbott Laboratories, the Chicago-based pharmaceuticals and health care company.

The profits rise, which translated into a 15.2 per cent increase in earnings per share to $1.14, was struck on the back of 11.4 per cent higher fourth-quarter sales of $1.46bn.

For the whole of 1989 Abbott turned in record net profits of $860m, a 14.3 per cent improvement on 1988. Sales last year were up 9 per cent to $5.4bn. Earnings per share for 1989 were $3.85, a rise of 15.6 per cent.

Mr Duane Burnham, chief executive, attributed the company's 1989 performance to heavy spending on research and development in recent years – investment in R&D rose 10.4 per cent to a total of $502m last year – as well as to the company's diversified and international spread of businesses.

Just over half of Abbott's sales come from pharmaceutical and nutritional products, with the balance divided between hospital supplies and laboratory diagnostic equipment. About a third of revenue comes from outside the US, mainly from Europe and Japan.

Abbott's results were in line with analysts' expectations and on the New York Stock Exchange the company's shares closed on Friday at $66⅞, down $1¼ in a sharply declining market.

Venezuelan oil company seeks Chevron facilities

By Alan Friedman

CHEVRON, the US energy company, hopes to reach an accord later this month to sell its Bahamas-based oil terminal, storage and refinery facilities to Petroleos de Venezuela (PDVSA), the Venezuelan state oil company.

Reports that PDVSA is bidding more than $100m for the facilities could not be confirmed. A portion of the purchase price might be paid in crude oil or products.

A Chevron officials said: "We hope to reach an agreement as soon as possible and hopefully before the end of this month."

The US group mothballed the 500,000 barrel-a-day refinery in August 1985 after describing it as uneconomic.

The 20m barrel oil terminal is seen by Caracas officials as strategically located as a transfer and storage point for petroleum products destined for the US market, the most important for Venezuela.

It is unclear whether the Venezuelan company would restore the refinery to operating order. In Caracas PDVSA confirmed only that talks were in progress.

● A Federal judge dismissed on Friday portions of Chevron's lawsuit accusing Pennzoil of illegally purchasing 8.8 per cent of Chevron stock. However, the main allegation was left intact, Reuter reports from San Francisco.

The suit, filed five weeks ago, charges that the Houston-based company failed to disclose fully to the Securities and Exchange Commission its true intent in buying stock.

District Court Judge Thelton Henderson left for trial the question whether documents Pennzoil filed with the SEC on stock purchases were correct. Dismissed parts included a claim that Pennzoil did not satisfy Federal antitrust regulations.

Investcorp lifts profits on brand-name acquisitions

By Gordon Cramb

INVESTCORP, the Bahrain investment bank which controls half of Gucci, the Italian luxury goods house, lifted net profits 12.1 per cent last year to $51.8m as it added to its holdings in US and European brand name companies.

On December 29 it completed the $450m purchase of Color Tile, a US retailer of floor and wall coverings. The buy-out, from Knoll International, was the largest transaction in Investcorp's seven-year life.

The bank began 1990 with a £22m ($35.2m) deal in the UK last week in which it took 30 per cent of Computacenter, a systems integrator which supplies microcomputer hardware, software and support services to government and large corporate clients.

According to Mr Michael Merritt, an Investcorp director, it is working on several other acquisitions in Europe, where last year the bank released $135m through private placements of debt and equity in Gucci as well as in Chaumet, the French jeweller which it rescued from bankruptcy in 1987, and Breguet, its watchmaking subsidiary.

Some 28 per cent of Gucci was placed with Gulf clients in this way, but Investcorp has retained voting power over the shares.

Investcorp's own shares are quoted on the new Bahrain stock exchange. Its 11,000 shareholders will receive a maintained 15 per cent annual dividend for a total pay-out of $15m. Most of the stock is held by some 800 founder shareholders. Trading is thin, but no foreign listings are planned.

Assets grew 9.2 per cent to $813.9m. Investcorp also engages in capital market trading, and last year launched three investment funds. Its European Acquisition Fund was increased to £50m from £30m after being more than twice subscribed.

UK COMPANY NEWS

Kingfisher battle scales new heights of abuse

By Andrew Bolger

THE £568m hostile bid by the retail group Kingfisher for Dixons, the electrical retailing chain, scaled new heights of abuse yesterday as both groups waited to hear this week whether the bid will be referred to the Monopolies and Mergers Commission.

Kingfisher accused Dixons' management of presiding over "one of the worst collapses in profit in UK retailing" and warned of "worse to come." It repeated its determination not to overpay for a business which it said was suffering from severe management problems and had a very disturbing outlook.

Meanwhile Mr Robert Shrager, Dixons' finance director, has written to his counterpart at Kingfisher, Mr Archie Norman, accusing Kingfisher of "trying to focus shareholders away from the present and the future in order to disguise a blatant attempt to acquire growth on the cheap."

In a circular entitled "The fall of the house of Dixons," Kingfisher contrasts the near £80m decline in Dixons' UK retail profit since 1986-87 with growth in the electricals market of 22 per cent in the period between April 1986 and November 1989.

It says the short-term outlook for electrical products is not encouraging, yet Dixons and its Currys stores face increasing pressures on costs that are bound to have a severe impact on the future profits.

Kingfisher says the contrast with the management success at its Comet stores could hardly be greater. It claims that Comet is the UK's best performing electrical retailing chain, with a record of increased profits and market share over the last three years.

Also, that Comet's profit margins in 1988-89 were double those at Dixons' UK retail business and that its superstore sales per foot were 40 per cent higher than those at Currys.

In his letter, Mr Shrager accuses Kingfisher of "creating confusion about the nature of modern consumer electronics retailing and making a number of allegations about Dixons that are, to put it at its kindest, tendentious. I do not believe that Kingfisher will emerge with much credit from this approach.

"We are a specialist consumer electronics retailing business and sell from our stores a combination of products and related retail financial services, in particular extended warranties and credit. Without the shops and without the products we would not sell extended warranty and credit.

"We believe that we sell our retail financial services rather better than you. We both know they are an integrated package and in Kingfisher's accounts you yourselves appear to include Comet's profits on these related services in one lump as part of Comet's retail profit. That being so, why do you continue to perpetuate the nonsense that you should split the profit we earn on the sale of products from the commissions we earn on the same transaction from related services?"

Record year for Britannic

By Eric Short, Pensions Correspondent

RECORD NEW business results were achieved by Britannic Assurance in 1989 thanks to the pension boom arising from the radical changes made by the Government in the UK pensions framework.

Total new annual premiums rose by nearly 16 per cent to £42.07m (£36.3m) with single premium business jumping from £6.94m to £24.61m. Recurrent single premiums relating to the incentive payments from the Department of Health and Social Security more than doubled to £34.25m (£15.24m).

Annual premium pension business rose by more than 40 per cent to £11.97m (£8.4m) while single premiums increased from a meagre £460,000 to £16.53m.

In contrast, life business was dull with new annual premiums down from £8.29m to £7.89m and single premiums rising slightly from £6.48m to £8.08m.

The other success story for the company was the continued strength of its industrial life business with new annual premiums advancing 13 per cent from £19.61m to £22.21m.

NEWS IN BRIEF

ACAL is to acquire the systems group of Technitron for £533,000 cash plus the settlement of £230,000 intercompany balances. Of the consideration £390,000 is payable on a deferred basis on or before June 30.

AIR CALL: at January 11 the offer by Healthcall Group had been accepted in respect of 3.48m shares (93.19 per cent). The remaining shares will be acquired compulsorily.

AMEC has entered a joint venture with Morse Diesel, a US construction management services company, to establish a new partnership, Morse Diesel International. The project will be 50 per cent owned by AMEC through its AMEC Projects subsidiary, which will make a $5m (£3m) cash payment as initial capital contribution to the start-up. Morse will contribute assets worth $5m.

AMERCOEUR ENERGY: of the 19.74m new ordinary provisionally allotted under the rights issue, some 16.22m (82.2 per cent) have been taken up.

ANDAMAN RESOURCES will raise a minimum of £787,870 from the 37.71 per cent take-up (775,740 new shares) of the 2.06m offered as a rights issue.

BENSON GROUP: Result of recent rights issue shows a 40.9 per cent take-up. Westerly Developments, a wholly owned subsidiary of Westerly, together with an associate, has acquired 7.17m new ordinary shares in Benson (14.99 per cent).

IMI has sold IMI Broderick Structures and its wholly owned subsidiary, Ives Cladding, to Tarmac. The businesses, both specialist roofing contractors, will become part of the Tarmac Industrial Products Special Contracting Group.

INVESTMENT COMPANY made pre-tax profit of £981,000 in half year ended September 30 (£1.24m). Earnings came to 1.68p (1.1p) and interim dividend 0.375p (0.25p). Profits on sale of investments were £357,000 (£799,000) but hoped second half will improve. Net asset value 42.07p (38.48p).

JEYES GROUP has acquired the Kleenoff business from Bale & Church for about £1.3m cash.

LONDON CREMATION raised turnover from £377,000 to £414,000 and pre-tax profit from £48,478 to £58,543 in the half year ended September 30.

PROPERTY TRUST lifted turnover from £2.43m to £3.23m in six months ended September 30 1989. Pre-tax profit £585,000 (£186,000) after exceptional debit £150,000 for compensation to Mr Patrick Rhatigan, former chairman, for loss of office. Property disposal programme has met with some success in slow market. Efforts being concentrated on corporate opportunities.

Clambering up the corporate ladder

Peter Marsh takes a look at a new chapter about to begin in the Medirace story

THE Medirace story has almost everything – the prospect of a wonderful new product, a takeover battle, a sudden climb up the corporate ladder for a tiny company and the expected emergence from obscurity of a deposed industry star.

It also contains, say some onlookers, a certain amount of hype. Medirace, a drugs company formed in 1987, has created interest mainly because of its development of a new medicine called Contracan for treating AIDS and cancer.

Some have heralded the drug, which is in the early stages of trials, as a potential breakthrough. This, despite many doubts as to whether the medicine will turn out to be effective, is the main reason Medirace's shares have soared since its listing on the UK's Third Market in 1987.

A new chapter will be opened in the Medirace story today when shareholders vote at an extraordinary meeting in London on the terms for acquiring Evans Healthcare, a much bigger, privately owned drugs company.

The transaction, which will require shareholders to put up £87m via an underwritten 16-for-five rights issue, will increase Medirace's annual sales some 50-fold and will lift it to a full listing. Trading in the shares of the enlarged group, rechristened Medeva, begins tomorrow.

At 127p – the figure at which Medirace's shares were suspended when the Evans takeover was first mooted before Christmas – Medeva would valued at about £120m, a remarkable figure given Medirace's humble beginnings. It was started as little more than a shell company for developing Contracan and its current sales are running at about £1m a year, most of these from medical kits for diagnosing illnesses.

Evans, one of Britain's leading producers of off-patent generic drugs, also has a strong position in vaccines. It will push Medirace into a new league. Evans – a management buy-out in 1986 from Glaxo, Britain's biggest pharmaceutical company – made operating profits of £5.2m on sales of £43.7m in the 12 months to June 1989.

Evans did not succumb to Medirace without a fight from other parties. Mr Bill Gerard, non-executive chairman of Medirace, believes at least four other groups were interested in paying similar sums to what his company was offering.

Evans' four most senior managers – including Mr David Moffatt, managing director – will stay with the company and have seats on an enlarged board. It is thought that these managers – who are all major shareholders in Evans and had a big part in the original buy-out – chose Medirace to buy their company partly because it guaranteed them a large say in running the new operation after the takeover.

The Medirace/Evans partnership has an important card up its sleeve in the shape of Mr Bernard Taylor, a former chief executive of Glaxo. He is likely to be named in the next few weeks as the company's new executive chairman, although Mr Gerard probably will remain on the board.

Mr Taylor, 54, a highly regarded figure in the drugs industry, resigned from Glaxo last May after the company gave his job to Dr Ernest Mario, former head of Glaxo's US operations.

In addition to development work on biological vaccines, Mr Gerard says Evans is well poised to benefit from expected increases in revenues in the UK generic drugs sector – which relies largely on selling inexpensive copies of off-patent medicines, taking market share from established research-based medicine producers.

The Government is attempting to promote the generic sector as one way of placing limits on the National Health Service's £2.4bn-a-year drugs budget. "We will be swimming with the tide," enthuses Mr Gerard.

There have been, nonetheless, some grumblings among stock market analysts about the sum paid for Evans. "I think they paid too much; Evans is not a particularly exciting company," says Mr Jonathan de Pass, a drugs industry analyst at Barclays de Zoete Wedd.

Other observers have expressed doubts about prospects for Contracan, which is based on a natural fatty acid called idostearic acid found in certain plant oils. This substance has been under study for more than a decade because of the way it appears to strengthen the cell walls in animal tissue, a factor that may help stop the spread through the body of malignant cells in patients suffering certain cancers. It is thought the drug could help via a similar mechanism in the treatment of AIDS.

Mr Gerard says trials with the drug, which was initially developed by a group of four doctors formerly at Hammersmith Hospital in London, are at early stage. So far about 150 people have taken the product, both for cancer treatment and AIDS, largely on an experimental basis. Mr Gerard says the results have been encouraging though more formal clinical trials will be required to prove the drug's effectiveness and these would need to involve several hundred patients.

Such trials are due to start soon, and Mr Gerard says these could lead to the product going on full-scale sale – should the development work prove successful – as early as 1992-93.

The prospects for Contracan have not convinced Mr James Culverwell, an analyst at Hoare Govett. "The data on Contracan and its efficiency are terribly small. There is no evidence that it works." Mr Alastair Kilgour, a drugs industry analyst at the London office of BNP, the French bank, agrees with this assessment. "There has been a lot of hype about Contracan," he says. "They [Medirace] have built the company around it."

Medirace reacts woundedly to talk of this kind. Mr David Lees, finance director, says he thinks a £120m market valuation is fair.

"There has not been hype of any kind. It is the last thing we would want. We are conservative people and we have tried very hard not to overstate things."

Geevor turns round for £26,000 midway profit

By Kenneth Gooding, Mining Correspondent

GEEVOR, the acquisitive UK mining company, made a pre-tax profit of £26,000 in the half-year to September 30 1989, compared with a £260,000 loss in the same period of 1988.

Turnover was lifted from £1.28m to £2.48m.

Mr Eric Grayson, chairman, reported that since the end of September the company had sold Eurogrange, owner of a small coal mine at Billinge in Lancashire, for £469,000.

During the half year, production at the company's coal mine in Pennsylvania was interrupted by external strike action and again by the financial failure of a sub-contractor responsible for mining.

Mr Grayson said Geevor had now recruited its own team and the mine was back in full production. In December a record for daily production was set – 1,675 short tons of coal in a single day.

The recent steep fall in tin prices had caused Geevor to suspend temporarily major renovations at its tin mine in Cornwall, said Mr Grayson. However, he expected higher prices to return "during 1990."

Output at the Mainband mine had been climbing steadily since the coal seam was intersected in late October. The coal was being sold on a spot basis while its suitability for various markets was being tested.

Mr Grayson said the mill at the Puente de Buza mine in Ecuador was now fully operational and the precious metal leaching plant was now completing commissioning. "This major project is expected to be a significant contributor to profit during 1990," he added.

M&G Dual net assets rise sharply

Net asset value of M&G Dual Trust capital shares rose from 1,898.48p to 2,384.47p over the year to December 31.

Distribution from the M&G General Trust Fund amounted to £3.97m (£3.46m) with deposit interest up from £655 to £1,089. Tax took £993,470 (£866,462) leaving earnings of 51.83p (45.2p) per income share. A final dividend of 28.6p makes a 51.8p (45.2p) total.

Franke revises stake

Franke Holdings has said that it owns only 5.34 per cent of Carron Phoenix, the Falkirk-based sink manufacturer, for which it has made a recommended offer, and not 6.37 per cent as previously announced.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Anglo Scandinavian Inv. Trust (Ord. & Warrants) (Section: Trusts, Finance, Land).

Brunswick NL (Mines-Australian).

European Project Inv. Trust (Ord. & Warrants) (Investment Trusts).

Evode Group 7p (Net) Cv. Cm. Red. Pf. (Chemicals).

Fired Earth Tiles (Drapery & Stores).

Ibstock Johnsen Warrants (Buildings).

MB Group 7.25p Cv. Cm. Red. Pf. (Industrials).

Millicom Inc. (Electricals).

North West Water (Water).

Partridge Fine Arts (Drapery & Stores).

Sage Group (Electricals).

Southern Water (Water).

South West Water (Water).

TR High Income Trust Units (Investment Trusts).

Neotronics at £1.87m after recovery in second half

THE EXPECTED recovery at Neotronics Technology materialised in the second half with a small rise in taxable profits.

The 2 per cent increase from £1.83m to £1.87m for the year to September 30 compared with a decline in the first half from £1.16m to £935,000.

Mr Paul Gotley, chairman of this manufacturer of gas detection and analysis instruments and medical equipment, said expenditure on research and development had been increased to £728,000 during the year and a further increase was planned.

Turnover in the year rose 19 per cent from £10.73m to £12.82m, including a 22 per cent rise in domestic sales. Problems in the US and French subsidiaries had pushed up administrative expenses from £2.34m to £2.9m. Mr Gotley said these problems had been addressed.

He expected the 1990 results to benefit from arrangements made to guard against exchange rate distortions. Order levels for products launched during 1989 were building up together with increased sales for established products.

The proposed final dividend of 1.2p makes an unchanged total of 1.8p from earnings per share of 4.71p (4.86p).

Offer for Monotype goes unconditional

Pointplus and its concert party, King Black and Associates, now control 51.8 per cent of the voting rights of Monotype, having pushed up their shareholding to 10.59m shares. The increased offer has been declared unconditional.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Excalibur, Fletcher King, Harrison Industries, Mosaic Investments, Severn Trent Water, Telford.

Finals- Evode, London Scottish Bank, Sturge.

FUTURE DATES

Interims-	
Dalgety	Feb. 12
Mountleigh	Jan. 18
Newmark (Louis)	Jan. 25
Richmond Oil & Gas	Jan. 23
Wentworth Int'l.	Jan. 24
Finals-	
Aukett Associates	Jan. 22
Continental Assets Trust	Jan. 24
Kershaw (A)	Jan. 25
Rank Organisation	Jan. 25
Shell Oil	Jan. 24
TR Pacific Inv. Trust	Feb. 12

PUBLIC WORKS LOAN BOARD RATES

Effective January 10

Years	Quota loans repaid: by EPI†	At††	at maturity§	Non-quota loans A* repaid: by EPI†	At††	at maturity§
1			$13\frac{7}{8}$			$14\frac{5}{8}$
Over 1 up to 2	$13\frac{5}{8}$	$13\frac{1}{2}$	$12\frac{1}{2}$	$14\frac{5}{8}$	$14\frac{1}{2}$	$13\frac{1}{4}$
Over 2 up to 3	$12\frac{7}{8}$	$12\frac{3}{4}$	$11\frac{7}{8}$	$13\frac{7}{8}$	$13\frac{3}{4}$	$12\frac{5}{8}$
Over 3 up to 4	$12\frac{1}{4}$	$12\frac{1}{4}$	$11\frac{5}{8}$	$13\frac{1}{4}$	$13\frac{1}{4}$	$12\frac{3}{8}$
Over 4 up to 5	12	$11\frac{7}{8}$	$11\frac{3}{8}$	13	$12\frac{7}{8}$	$12\frac{1}{8}$
Over 5 up to 6	$11\frac{3}{4}$	$11\frac{3}{4}$	$11\frac{3}{8}$	$12\frac{1}{4}$	$12\frac{1}{4}$	$11\frac{7}{8}$
Over 6 up to 7	$11\frac{5}{8}$	$11\frac{1}{2}$	$11\frac{1}{4}$	$12\frac{1}{8}$	12	$11\frac{3}{4}$
Over 7 up to 8	$11\frac{1}{2}$	$11\frac{1}{2}$	$11\frac{1}{8}$	12	12	$11\frac{5}{8}$
Over 8 up to 9	$11\frac{1}{2}$	$11\frac{3}{8}$	$10\frac{7}{8}$	12	$11\frac{7}{8}$	$11\frac{3}{8}$
Over 9 up to 10	$11\frac{3}{8}$	$11\frac{3}{8}$	$10\frac{3}{4}$	$11\frac{7}{8}$	$11\frac{7}{8}$	$11\frac{1}{4}$
Over 10 up to 15	$11\frac{1}{8}$	$10\frac{7}{8}$	$10\frac{3}{8}$	$11\frac{5}{8}$	$11\frac{3}{8}$	$10\frac{7}{8}$
Over 15 up to 25	$10\frac{1}{2}$	$10\frac{1}{4}$	$10\frac{1}{8}$	11	$10\frac{3}{4}$	$10\frac{5}{8}$
Over 25	$10\frac{1}{4}$	$10\frac{1}{8}$	10	$10\frac{3}{4}$	$10\frac{5}{8}$	$10\frac{1}{2}$

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

FINANCIAL TIMES STOCK INDICES

	Jan 12	Jan 11	Jan 10	Jan 9	Jan 8	Jan 5	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs.	83.02	82.94	82.98	83.37	83.58	84.10	89.29	82.93	127.4	49.18
Fixed Interest	92.60	92.55	92.62	92.83	92.91	92.71	99.59	92.02	105.4	50.53
Ordinary	1909.1	1940.5	1936.4	1956.5	1945.0	1948.8	2008.6	1447.8	2008.6	49.4
Gold Mines	346.1	337.8	322.4	316.1	315.6	306.4	346.1	154.7	734.7	43.5
FT-Act All Share	1191.71	1209.67	1207.72	1218.02	1215.80	1220.77	1226.83	921.22	1238.57	61.92
FT-SE 100	2380.1	2417.9	2412.6	2436.3	2431.3	2444.5	2463.7	1782.8	2463.7	986.9

FT UNIT TRUST INFORMATION SERVICE

• For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ¥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

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Wardley Unit Tst Mngs Ltd (0900)H

3 Harbour Exchange, London, E14 9GJ 01-955 5085

Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
American	5¼	69.38	69.38	74.20	1.5	41574
Intl Growth	5¼	84.13	84.13	89.97	0.8	41575
Income	5¼	134.3	134.3	143.6	4.8	41576
Japan Growth	5¼	243.7	243.7	260.6	0.1	41577
Pacific Perf	5¼	159.6	159.6	170.6	0.1	41578
Small Co's	5¼	135.2	135.2	144.5	1.4	41579
Technology	5¼	33.94	33.94	36.29	0.1	41580
Australia	5¼	65.05	65.05	69.57	2.8	41581
UK Trust	5¼	183.1	183.1	195.8	2.6	41582
European Growth	5¼	77.31	77.31	82.68	0.1	41583
Hong Kong	5¼	33.43	33.43	35.75	1.8	41584
Intl Income	5¼	22.06	22.06	23.59	7.2	41585
S'pore & Mlysa Gth	5¼	41.20	41.58	44.46	0.1	41586
British Winners	5¼	27.15	27.15	29.03	2.2	41587
Japan Smllr Cos	5¼	33.17	33.33	35.65	0.1	46995

Waverley Unit Tst Mngmt Ltd (1000)F

13 Charlotte Sq, Edinburgh 031-225 1551

Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Australasian Gold	6	15.95	16.21	17.24	0.00	41588
Pacific Basin	6	31.02	31.02	33.06	0.60	41589
Can Balncd Gwth	6	46.85	46.85	49.84	0.10	41590
Cippic Mar	4	0.9748	0.9817	1.0226	7.52	41591
Penny Share	6	29.42	29.42	31.29	0.50	41592

Wellington Fund Mngrs Ltd (1200)F

2, London Bridge, SE1 01-407 4404

Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Wellington Income	5¼	146.5	149.1	158.7	5.57	41593
Wellington Growth	5¼	244.8	245.3	261.0	1.55	41594

Wessex Asset Management (1330)F

1 Richmond Hill, Bournemouth BH2 6HW 0202 299432

Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Wessex UK Gwth	4¾	114.5	118.2	123.1	3.79	41595

Whittingdale Unit Tst Mngmt Ltd

2 Honey Lane, London EC2V 8BT 01-606 3132

Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Challenger	2¼	61.63	61.63	63.19	0.00	41596
Short Dtd Gilt	1¼	83.02	83.02	84.14	6.81	41597
U.S. Govmt Bond	1¼	.5795	.5795	.5870	0.00	41598

Willis Financial Services Ltd (0905)F

PO Box 515, 6 Broadgate, London EC2 01-588 7511

Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Asst Friars W'wide	5	206.6	210.1	223.5	2.56	46677

Windsor Trust Mngrs Ltd (1200)F

83 Kingsway, London, WC2B 6SD 01-405 8332

Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Convtbl & Equity	5	58.41	58.41	62.24	7.42	41599
European	5	83.60	83.86	89.21	0.09	46303
Far Eastern	5	78.70	79.05	84.10	0.58	46304
Growth Inc	5	79.85	79.85	85.11	1.57	41600
Growth Acc	5	79.92	79.92	85.20	1.57	46976
Income Inc	5	78.86	78.86	84.06	4.92	41601
Income Acc	5	78.96	78.96	84.17	4.92	46977

AEtna Life Insurance Co Ltd — Contd.

Name	Bid Price	Offer Price	Yield Gross	City-line
Bond	425.66	425.67	—	41667
Property	249.89	249.90	—	41668
Overseas Investment	317.45	317.46	—	41669
Pension Funds (Accumulation Units)				
Squirrel	15.93	16.77	—	41670
Bear	17.61	18.54	—	41671
Owl	23.54	24.78	—	41672
Bull	20.66	21.75	—	41673
Stag	20.08	21.14	—	41674
Gilt Edged	13.88		—	41675
Deposit	13.69		—	41676
North American	10.48	11.04	—	41677
European	12.39	13.05	—	41678
Property	12.11	12.75	—	41679
Index-Linked	12.05	12.69	—	41680
Far Eastern	14.48	15.25	—	41681
UK Equity	16.13	16.98	—	41682
Fixed Interest	12.13	12.77	—	41683
Gilt Edged (89)	10.04	10.57	—	47024
1982 Series				
Managed	304.20	320.22	—	41684
Pre 1982 Series				
Aetna Life				
3 Way	729.46	729.47	—	41686
Equity Pensions	1283.35	1283.36	—	41687
Aetna Pensions Ltd				
3-Way Managed	641.63	641.63	—	41688
Exempt Approved				
Mixed Managed	223.21	227.77	—	41689
Gilt-Edged	19.88		—	41690

Albany Life Assurance Co Ltd

3 Darkes Lane, Potters Bar EN6 1AJ 0707 42311

Name	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Brit.Blue Chip Fd Acc(z)	147.4	155.2	—	41691
Equity Fd Acc(z)	1093.9	1151.5	—	41692
European Fd Acc(z)	293.8	309.3	—	41693
Intl Fxd Int Fd Acc(z)	212.7	223.9	—	41698
Fixed Int Acc(z)	346.1	364.3	—	41694
Gtd Money Fd Acc(z)	246.13	259.0	—	41695
High Income Fd Acc(z)	123.7	130.2	—	41696
Intl Man Fd Acc(z)	432.9	455.6	—	41697
Japan Fd(z)	314.5	331.0	—	41699
UK Smllr Co's Fd Acc(z)	113.1	119.0	—	41704
European Metro	128.9	135.6	—	47025
Global Metro	108.7	114.4	—	46534
Sunrise Metro	129.1	135.8	—	47026
UK Metro	114.5	120.4	—	46537
Nth American Fd Acc(z)	210.5	221.5	—	41700
Pac Basin Fd Acc(z)	167.4	176.2	—	41701

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Balanced Gwth Mngd.	624.0	657.6	—	43315
Adventurous Mngd.	136.8	144.2	—	46402
Secure Mngd.	110.8	116.8	—	46403
Cash Fd	249.3	258.5	—	43316
Property Fund	301.5	317.8	—	43317
Equity Fund	712.8	751.2	—	43318
Fxd. Int. Fund	294.6	310.5	—	43319
International	335.6	357.1	—	43320
High Income	456.0	485.2	—	43321
Far East	463.8	493.5	—	43322
North American	281.4	299.4	—	43323
Special Sits	631.0	671.3	—	43324
Technology	262.7	279.5	—	43325
Extra Inc Fd.	274.0	291.5	—	43326
Convertible & Gilt Fd	151.7	161.4	—	43327
American Income	131.5	139.9	—	43328
Gilt Fund 20	300.4	319.6	—	43329
European Fund	118.8	126.4	—	43330
Pref & Fixed Int.	96.44	101.6	—	46332
Equity Income Dist.	100.9	106.4	—	47816
Managed Dist.	99.2	104.6	—	47817
Pension Funds				
Balncd Gth Mgd Pens Acc.	600.9	632.6	—	43331
Adventurous Mgd Pens Acc.	130.1	136.9	—	46404
Secure Mngd Pens Acc.	110.3	115.8	—	46405
Building Soc. Acc.	261.3	274.8	—	43332
Property Pens. Acc.	309.1	325.4	—	43333
Fix. Int. Pens. Acc.	417.5	439.55	—	43334
Equity Pens. Acc.	792.8	834.6	—	43335
International Pens Acc.	322.8	339.8	—	43336
High Inc Pens Acc.	503.1	529.6	—	43337
Tech Pens Acc.	168.1	177.0	—	43338
N American Pens Acc.	195.2	205.5	—	43339
Far Eastern Pens Acc.	455.6	479.6	—	43340
Special Sits Pens Acc.	524.1	551.7	—	43341
Extra Income Pens Fd	336.0	353.7	—	43342
Convertible & Gilt Pen	168.1	177.0	—	43343
American Inc Pens.	145.5	153.2	—	43344
European Pens.	127.9	134.7	—	43345

Royal Heritage Life Assurance Ltd
20 Clifton St, EC2A 4HX 01-420 02...

	Bid Price
Multi Gwth.	508.75
Multi Gwth "A"	508.7
Op Prop.	416.5
Op Equity	764.1
Op High Yld	351.6
Op Man	595.4
Op Dep	288.4
Op Inc Dist.	201.4
Op Int Man.	338.4
Op Emerging Co's	298.0
Pension Funds-Series B & C Acc.	
Property	753.1
Equity	1966.8
Fixed Interest	641.3
Managed	1048.6
Deposit	558.7
Gartmore Global	195.4
Gartmore NA	95.6
Gartmore Pacific	259.4
Henderson Acc.	201.9
Perpetual Mng.	205.8
Framlington Mng.	192.3
Gartmore Pen Mngd.	198.3
Gartmore Pen Euro.	157.9
Beckman Pension Fund	126.1
Suffolk Cap. Pen. Fd.	116.9
IMC Pen SB Ser B	95.0
Pension Funds-Series D	
Property	191.6
Equity	132.9
Fixed Interest	157.6
Managed	132.9
Deposit	164.2
Gartmore Global	122.8
Gartmore NA	108.4
Gartmore Pacific	136.2
Henderson Acc.	149.3
Perpetual Mng.	150.4
Framlington Mng.	153.7
Gartmore Pen Mngd.	163.0
Gartmore Pen Euro	120.8

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

[illegible]

JERSEY (**)

[illegible]

ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

OFFSHORE INSURANCES

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
1,400	Exch 11pc 1990‡‡	99xd	14.42	8.1	12 Aug 12 Feb	1257
1,250	Exch. 12½pc 1990	99	14.69	16.8	22 Sep 22 Mar	1262
550	Treas. 3pc 1990	97¾	11.98	2.10	8 Nov 8 May	1325
600	Treas 8¼pc 1987–90‡‡	97	13.85	8.11	15 Dec 15 Jun	1340
955	Treas. 8pc Cv 1990 ‡‡	97xd	13.76	11.12	16 Jul 16 Jan	4680
1,887	Treas. 10pc Cv 1990	96	14.21	18.9	25 Apr 25 Oct	1285
500	Exch 2½pc 1990	93	10.84	16.10	22 May 22 Nov	1270
2,200	Treas 11¼pc 1991	98	13.78	4.12	10 Jul 10 Jan	1292
400	Funding 5¾pc '87–91‡‡	99	12.02	1.9	5 Oct 5 Apr	1275
400	Treas. 3pc 1991	90	10.79	9.10	13 Nov 13 May	1326
646	Treas 10pc Cv '91 ‡‡	96	13.09	6.12	12 Jan 12 Jul	1286
1,550	Exch. 11pc 1991	96	12.96	18.9	25 Apr 25 Oct	1258
1,350	Treas. 8pc 1991	92	12.86	3.11	10 Jun 10 Dec	1335
900	Treas 12¾pc 1992‡‡	100xd	12.49	18.12	22 Jul 22 Jan	1297
1,600	Treas 10pc 1992	95	12.59	17.7	21 Aug 21 Feb	1283
1,400	Treas. 8pc 1992 ‡‡	91½	12.43	6.9	13 Oct 13 Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	96½	12.29	2.10	7 Nov 7 May	1289
500	Treas. 3pc 1992	84	10.48	6.11	11 Dec 11 Jun	1328
1,350	Exch. 12¼pc '92	99	12.36	19.7	25 Feb 25 Aug	1265
1,757	Exch 13½pc 1992	102	12.18	31.8	22 Mar 22 Sep	1266
950	Treas 8¼pc 1993	90xd	11.99	12.1	18 Aug 18 Feb	–
1,850	Treas 10pc 1993‡‡	95	11.77	8.9	15 Oct 15 Apr	1279
1,100	Treas 12½pc 1993‡‡	102	11.81	8.12	14 Jan 14 Jul	1296
600	Funding 6pc 1993‡‡	85	10.87	9.8	15 Mar 15 Sep	1276
1,250	Treas 13¾pc 1993‡‡	106	11.70	17.10	23 May 23 Nov	1304
1,050	Treas. 8½pc 1994	89xd	11.69	28.12	3 Aug 3 Feb	–
600	Treas 14½pc 1994‡‡	109	11.54	26.7	1 Sep 1 Mar	1307
1,100	Exch 13½pc 1994	106	11.63	20.9	27 Oct 27 Apr	1267
1,400	Treas. 10pc Ln. 1994‡‡	95	11.44	2.11	9 Dec 9 Jun	1284
1,550	Exch. 12¼pc 1994	103	11.61	17.7	22 Feb 22 Aug	1263
1,600	Treas 9pc 1994‡‡	91	11.40	11.10	17 May 17 Nov	1345

Five to Fifteen Years

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
2,350	Treas 12pc 1995	107xd	10.50	19.12	25 Jul 25 Jan	1294
229	Exch 3pc Gas 90–95	75¼	8.62	25.9	1 Nov 1 May	1271
2,100	Exch. 10¼pc 1995	95xd	11.36	15.12	21 Jan 21 Jul	1254
1,000	Treas 12¾pc 1995‡‡	106	11.23	9.10	15 May 15 Nov	1298
900	Treas. 14pc '96	110xd	11.47	18.12	22 Jul 22 Jan	1305
750	Treas. 9pc 1992–96‡‡	90	11.14	9.8	15 Sep 15 Mar	1344
1,350	Treas 15¼pc 1996‡‡	117½	11.30	27.9	3 Nov 3 May	1309
800	Exch 13¼pc 1996‡‡	108	11.24	9.10	15 Nov 15 May	1268
1,109	Conversion 10pc 1996	94	11.13	9.10	15 May 15 Nov	1240
1,500	Treas 13¼pc 1997‡‡	110xd	11.17	18.12	22 Jul 22 Jan	1302
3,100	Exch 10½pc 1997	97	11.10	17.7	21 Aug 21 Feb	1253
3,750	Treas 8¾pc 1997‡‡	89¼	10.89	24.8	1 Mar 1 Sep	1341
1,000	Exch 15pc 1997	118¼	11.31	20.9	27 Apr 27 Oct	1269
2,850	Exch. 9¾pc 1998	93xd	10.94	13.12	19 Jul 19 Jan	1273
1,000	Treas 6¾pc 1995–98‡‡	79½	10.53	25.9	1 Nov 1 May	1331
1,100	Treas. 15½pc '98‡‡	124¼	11.11	24.8	30 Mar 30 Sep	1308
2,500	Exch. 12pc 1998	105	11.04	16.10	20 May 20 Nov	1259
1,250	Treas 9½pc 1999‡‡	93	10.68	11.12	15 Jul 15 Jan	1347
2,900	Exch. 12¼pc 1999	107	11.00	21.8	26 Sep 26 Mar	1264
1,252	Treas. 10½pc 1999	97	10.88	13.10	19 Nov 19 May	1258
1,548	Conversion 10¼pc 1999	96	10.85	16.10	22 May 22 Nov	1242
1,200	Treas. 8½pc Ln 2000‡‡	87xd	10.58	22.12	28 Jan 28 Jul	1338
1,554	Conversion 9pc 2000‡‡	90	10.59	28.7	3 Sep 3 Mar	1244
1,817	Treas. 13pc 2000	112½	10.98	8.12	14 Jan 14 Jul	1299
1,050	Treas 10pc 2001	95	10.66	20.7	26 Aug 26 Feb	1280
1,250	Treas. 14pc '98–01	114	11.24	16.10	22 Nov 22 May	1306
802	Conversion 9¾pc 2001	94¼xd	10.64	4.1	10 Feb 10 Aug	1248
1,600	Exch. 12pc '99–02	105¼xd	11.07	18.12	22 Jul 22 Jan	1261
716	Conversion 10pc 2002	96¼	10.57	4.9	11 Oct 11 Apr	1241
1,450	Treas 9¾pc 2002	94	10.54	21.7	27 Feb 27 Aug	1349
1,300	Exch. 9pc 2002	89	10.47	13.10	19 May 19 Nov	1272
1,800	Treas. 13¾pc 2000–03	116xd	11.02	19.12	25 Jan 25 Jul	1303
1,000	Treas 10pc 2003	96	10.42	2.8	8 Mar 8 Sep	1281
1,900	Treas. 11½pc 2001–04	104	10.83	14.8	19 Sep 19 Mar	1290
900	Treas. 10pc 2004	97¼	10.36	12.10	18 Nov 18 May	1282
443	Funding 3½pc '99–04	54	9.22	8.12	14 Jan 14 Jul	1274
1,362	Conversion 9½pc 2004	93	10.30	18.9	25 Apr 25 Oct	1246

Over Fifteen Years

BRITISH FUNDS—Contd

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
1,881	Conversion 9½pc 2005	94	10.26	11.9	18 Oct 18 Apr	1247
1,050	Exch. 10½pc 2005	101	10.29	14.8	20 Mar 20 Sep	1251
2,200	Treas. 12½pc 2003–05	114	10.44	16.10	21 May 21 Nov	1295
1,800	Treas. 8pc 2002–06‡‡	82	10.19	10.11	5 Apr 5 Oct	1334
3,150	Treas. 11¾pc 2003–07	109xd	10.46	18.12	22 Jul 22 Jan	1293
1,446	Treas 8½pc 2007 ‡‡	87xd	10.01	11.12	16 Jan 16 Jul	1339
1,250	Treas. 13½pc '04–08	122	10.38	21.8	26 Sep 26 Mar	1301
–	Treas. 9pc 2008 ‡‡	92	9.96	6.9	13 Apr 13 Oct	1343
721	Treas. 9pc 2008 B	92	9.94			–
1,000	Treas 8pc 2009	83½	9.90	21.8	25 Mar 25 Sep	1336
369	Conv 9pc Ln 2011 ‡‡	92xd	9.88	6.12	12 Jan 12 Jul	1245
1,000	Treas. 5½pc 2008–12‡‡	61	9.71	4.8	10 Mar 10 Sep	1330
700	Treas. 7¾pc 2012–15‡‡	80xd	9.83	20.12	26 Jul 26 Jan	1332
1,000	Exch. 12pc '13–'17	118	9.90	6.11	12 Jun 12 Dec	1260

Undated

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
359	Consols 4pc	40xd	–	27.12	1 Feb 1 Aug	1239
1,909	War Loan 3½pc‡‡	35¼	–	25.10	1 Jun 1 Dec	1352
140	Conv. 3½pc '61 Aft	61	–	25.8	1 Apr 1 Oct	1243
56	Treas. 3pc '66 Aft	31	–	1.9	5 Apr 5 Oct	1324
276	Consols 2½pc	25¼	–	1.12	5 Ja Ap Jul O	1238
475	Treas. 2½pc	24	–	25.8	1 Apr 1 Oct	1315

Index-Linked

Amount £m	Stock (b)	Price £	Red. Yld. **	Last xd	Interest Due	City-line
650	Tr. 2pc '92‡‡(97.8)	112	4.25	17.8	23 Mar 23 Sep	1312
400	Do. 2 '94 (102.9)	105	3.51	10.10	16 Nov 16 May	–
1,000	Do. 2pc '96(67.9)	156	3.40	10.8	16 Mar 16 Sep	1313
900	Do 2½pc '01(78.3)	131	3.68	18.8	24 Mar 24 Sep	1316
800	Do. 2½pc '03(78.8)	127	3.72	16.10	20 Nov 20 May	1317
1,200	Do. 2pc '06(69.5)	131xd	3.72	13.12	19 Jan 19 Jul	1314
950	Do. 2½pc '09(78.8)	122½	3.70	16.10	20 Nov 20 May	1318
1,350	Do. 2½pc '11(74.6)	127	3.69	17.7	23 Feb 23 Aug	1319
1,100	Do. 2½pc '13(89.2)	106xd	3.65	10.1	16 Feb 16 Aug	1320
1,700	Do. 2½pc '16(81.6)	114xd	3.61	20.12	26 Jan 26 Jul	1321
1,400	Do. 2½pc '20(83.0)	112	3.55	11.9	16 Oct 16 Apr	1322
900	Do. 2½pc '24‡‡(97.7)	94xd	3.50	11.12	17 Jan 17 Jul	1323

**Prospective real redemption rate on projected inflation of 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for April 1989:114.3 and for November 1989:118.5

INT. BANK AND O'SEAS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
50	African Dv Bk 11¼Ln 2010	98	11.38	1.12	4 Jan 4 Jun	–
100	Asian Dev Bk 10¼pcLn2009	94	10.98	28.3	24 Mar 24 Sep	–
100	Australia 13½pc 2010	118	11.23	23.12	28 Jan 28 Jul	–
100	Do. 11¾pcLn2015	101	11.18	22.3	26 Apr 26 Oct	–
75	Euro Inv Bk 11pc Ln 2002	98	11.30	23.2	23 Mar 23 Sep	–
75	Int-Am Dev Bk 12½pc 2003	107	11.35	7.12	8 Jan 8 Jul	–
175	Do. 9¾pcLn 2015	89	11.03	13.10	15 May 15 Nov	–
75	Malysia 10¾pcLn 2009	89½	13.08	23.12	31 Jan 31 Jul	–
50	Utd. Mexican States 16½pc 2008	110	14.90	24.1	1 Mar 1 Sep	–

CORPORATION LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
45	Birmingham 11½pc 2012	100½	11.40	13.10	15 May 15 Nov	1837
40	GLC 6¾pc 1990–92	88½	12.80	17.7	15 Feb 15 Aug	2647
40	Leeds 13½pc 2006	115½	11.69	11.9	1 Apr 1 Oct	3146
5	Liverpool 3½pc Irred	30	–	1.12	1 Ja Apr Jn Oc	3169
25	LCC 6¾pc '88–90	95½xd	11.60	11.12	10 Jan 10 Jul	3198
26	Do. 3pc '20 Aft	26	–	1.11	1 Mar Jn S D	3197
7	Manchester 11½pc 2007	100½	11.40	29.9	25 Apr 25 Oct	3275

COMMONWEALTH & AFRICAN LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
14	NZ 7¼pc 1988–92	87½	12.40	1.12	1 Jan 1 Jul	–
–	S Rhod 2½pc Non-Assd.	206	–	–	1 Apr 1 Oct	–
4	Do. 4½pc 87–92 Assd	84½	9.33	14.7	7 Feb 7 Aug	–

LOANS

Building Societies

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
20	N'wide Anglia 12⅞pc 29.1.90	99	14.91	2.1	29 Jan 23 Jly	–
–	Do. 12pc 26.2.90	99	15.28	21.7	26 Feb 20 Aug	–
–	Do. 12⅞pc 19.3.90	99	15.20	–	19 Mr 13 Sep	–
20	Do. 13⅜pc 23.4.90	99	15.17	18.9	23 Apr 17 Oct	–
20	Do. 13pc 14.5.90	99	15.14	9.10	14 May 8 Nov	–
–	Do. 13pc 4/6/90	99	15.07	–	4 Jun 30 Nov	–
–	Do. 14pc 2.7.90	99xd	14.99	27.11	2 Jly 26 Dec	–
–	Do. 13⅝pc 23.7.90	99	14.97	18.12	17 Jan 23 July	–
20	Do. 13pc 13.8.90	99xd	14.96	9.1	7 Feb 13 Aug	–
20	Do. 13½pc Bds 3.9.90	99	14.65		28 Feb 3 Sep	–
60	Do. 3⅞pcIL Ln 2021	107½	4.53	22.6	30 Jan 31 Jul	3465
50	Do. 4.25pcIL '24	107¼	4.30	–	23 Feb 23 Apr	–

Public Board and Ind.

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
25	Met. Wtr. 3pc 'B'	45xd	10.86	1.8	1 Mar 1 Sep	3361

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass	50	3.50	7.00	1.11	1 May 1 Nov	2763
4	Do. 6pc 28 Stb. Ass	50	3	6.00	1.2	1 Feb 1 Aug	2762
–	Do 4pc Mixed Ass	50	2	4.00	3.4	1 Apr 1 Oct	2761
1	Hung. '24 Ass	80	2.75	3.57	3.5	1 May	2935
40	Hydro Quebec 15pc 2011	125	15.00	11.69	27.10	31 May 30 Nov	–
30	Iceland 14½pc Ln 2016	115	14.50	12.54	29.12	31 Jan 31 Jul	–
30	Ireland 9¾pc '91–96	90	10.74	11.90	21.8	1 Mar 1 Sep	3002

AMERICANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
9,368.1	Abbott Laboratories‡	41¼xd	$1.40	2.2	11.7	Fb My Ag Nv	1503
265.5	♥Allegheny & W 1c	511p	30c	3.7	–	–	–
1,895.3	Amax $1	15½xd	80c	3.3	7.8	Mr Jn Se De	1581
276.6	Ambase Corp $1	6¼	20c	1.9	28.11	Jan Mar Ju Dc	2915
928.2	Amdahl 5c	884pxd	h10c	0.7	31.1	Nv Mr Jn Ag	–
3,000.8	Amer. Cyanamid $5	32	$1.35	2.6	27.2	Mr Je Se De	–
10,043.1	Amer. Express 50c	20xd	92c	2.9	3.7	Fb My Ag Nv	1594
29,027.6	American T. & T $1	26	$1.20	2.8	27.5	Fb My Ag Nv	1597
15,953.0	Ameritech $1	37	h$2.92	4.9	28.3	Fb My Ag Nv	–
–	♥Asiamerica Equity‡	526p	–	–	–	–	–
3,056.3	BankAmerica $1.2	16xd	60c	2.3	17.5	Fe My Au No	1744
1,917.7	Bankers N.Y. $1	24¼xd	$2.12	5.5	31.3	Ap Jy Oc Jan	1745
12,195.1	Bell Atlantic $1	61	$4.40	4.5	27.6	Fe My Au No	–
15,731.5	BellSouth Corp.	32	$2.52	4.9	6.7	Fe My Au No	–
813.1	♥Bethlehem Steel $8	10xd	40c	2.3	6.2	Mar Jun S D	1821
–	♥Bio-Rad Labs. A	10	–	–	–	–	–
596.7	Bowater Inc.	16¼	$1.20	4.7	6.6	Oc Ja Ap Jy	1884
752.5	Brunswick 75c	8xd	44c	3.3	20.7	F My Au N	1989
3,491.8	CPC Intnl. 25c	42	$1.80	2.7	25.9	Jan Ap Jly O	2263
130.5	California Engy	717p	–	–	–	–	–
3,908.1	Campbell Soup 15c	30xd	$1.00	2.1	3.7	Oc Ja Ap Jy	–
1,540.7	Chase Manhattan $12½	18xd	$2.36	7.9	27.7	Fb My Ag Nv	2109
1,994.2	Chem Banking Corpn	17	$2.72	9.6	12.6	Ap Jy Oc Ja	–
2,485.6	Chrysler $6¼	11¼xd	$1.20	6.7	14.6	Mar Jun S D	2135
5,246.9	Citicorp $1	16½xd	$1.62	6.2	25.4	My Au N F	2141
2,591.9	Colgate-Palmolive $1	37xd	s$1.48	2.5	20.7	F My Au N	2184
1,208.0	Cont'l Bank Corp $4	11	$1.00	5.3	31.5	Dc Mr Ju Sp	–
–	♥Corporate Data Sciences	291p	–	–	–	–	–
924.1	Dana Corp $1	20xd	$1.60	4.9	29.8	Mr Je Se De	2306
192.9	Data General	699p	–	–	–	–	–
5,028.2	Dun & Bradstreet $1	27	$2.00	4.7	13.2	Mr Je Sp Dc	–
1,408.1	Eaton Corpn 50c	32	h$2.00	3.8	2.8	F My Au N	2410
534.5	Echlin Inc	9	70c	4.9	30.6	JanAprJulOct	–
2,728.3	FPL Group 1c	20xd	$2.28	7.0	23.11	MrJnSepDec	–
1,893.0	Fluor Corp 62½pc	22	24c	0.7	–	Ja Ap Jy Oc	2609
14,173.9	Ford Motor $1	26xd	$3.00	7.1	28.7	Mar Jun S D	2615
35,661.6	Gen. Elect. 63c	38	$1.88	3.1	7.6	Ja Ap Jy Oc	2675
–	♥General Host Corp $1	304p	30c	6.2	13.12	–	–
3,347.6	Gillette $1	28	96c	2.1	27.1	Mar Jun S D	2695
135.4	Gt American Bank 0k $1	413p	20c	3.1	28.10	Fb My Ag Nv	–
726.5	Greyhound $1½	18¼	$1.32	4.5	28.11	Ja Ap Jy Oc	2778

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Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

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LONDON SHARE SERVICE

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AMERICANS—Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
660.2	Hasbro Inc 50c	12½	16c	0.8	1.8	Ja No Au Ap	–
2,376.3	Honeywell $1½	51½	$2.75	3.4	22.8	Mar Jun S D	2919
2,491.3	Houston Inds $	28½	$2.96	9.0	10.11	Mr Jn Se De	–
5,765.8	IBM Corpn $1¼	59½	$4.84	5.1	5.5	Mar Jun S D	2986
1.02	Heuge Storage/R.Syt.Ic.	48p	–	–	–	–	2961
1,639.0	Ingersoll-Rand $2	31½	$1.20	2.4	16.5	Mar Jun S D	2979
1,607.3	Lockheed Crpn. $1	24½	$1.80	3.6	15.2	Mar Jun S D	–
156.7	Lone Star Inds $1	9½	$1.90	12.7	30.8	Ma Se N Mar	3216
783.3	Louisiana Land 15c	25¼	$1.00	2.5	29.11	Mar Jun S D	3222
668.8	Lowe's 50c	16¼	52c	1.9	11.7	Ja Ap Jy Oc	–
942.3	Manuf. Hanover $1	19½	$3.28	10.6	26.6	Ja Ap Jy Oc	3279
1,597.1	Merrill Lynch $1	15½	$1.00	4.2	31.10	Fe My Au N	3351

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
5.69	Creston 10p	29	1.7	7.8	18.9	November	3111
10.8	Crosby (James) 10p	98	3.5	4.8	14.8	Apr Oct	2282
23.6	Donelon Tysoo 10p	43	0.75	2.3	–	–	4644
66.9	Douglas (Robt. M)	433	5	2.0	11.12	Sept Feb	2366
5.26	Dunton Group 5p	27	1.0	4.9	14.8	October	2388
21.3	EBC 50p	161	6.75	5.6	4.9	May Oct	3411
23.0	Edmond Hldgs 10p	45½	1.7	5.0	18.9	Nov May	2427
17.7	Cowin Group 10p	113	5.3	6.3	14.8	Jun Oct	2486
29.6	Erith	71	3.9	7.3	18.9	Nov May	2493
25.2	Eve Group	270	7.0	3.5	31.7	Apr Sept	2508

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
8.80	PML 5p	20	1.0	6.7	8.5	July	3682
16.8	Panfida Group	33	a1.33	5.4	27.12	Mar Aug Jan	2998
27.9	Partridge Fine Arts 10p	126	R3.5	3.7	–	Sept Apr	–
110.0	Pentos 10p	107	1.8	2.2	18.9	Oct Jly	3633
68.2	Pepe Group 10p	258	6.0	3.1	14.8	Oct Apr	3634
5.76	Propeller 1p	36	0.5	1.9	3.4	May	5729
2.81	Ramar Texts. 5p	22	1.75	10.6	2.10	January	3761
550.1	Ratners 10p	260	7.5	3.8	18.9	Nov Jul	3782
51.8	Do. Cnv Cum Pf £1	158	5.85%	4.9	27.12	Jan Jul	3783
7.20	Reject Shop 5p	72	3.15	5.8	3.7	Jan Jly	5117
8.56	Ritz Design Grp 5p	95	2.0	2.8	11.12	July Jan	5255
6.46	S&U Stores 12½p	78	4.25	8.1	16.10	Jul Nov	3893

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
67.1	Blackwood Hodge	41	1.5	4.9	4.9	Jun Nov	1848
3.56	Booth Industries	89	2.2	3.3	27.12	Jan Sept	1675
20.3	Brasway 10p	27	0.76	3.8	27.12	Mar Oct	1139
5.79	Bristol Ch.Ship10p	7½	–	–	10/80	–	1953
31.2	Bromsgrove Inds 5p	138	2.75	2.7	27.12	Jan July	1974
11.8	Brooke Tool 5p	31½	1.8	–	16.31.8	July	1976
167.2	Bullough 20p	142	5.67	5.3	31.7	Sept. Mar.	2004
34.6	C.I. 10p	49	1.8	6.0	13.11	July Jan	2136
50.0	Camford Eng	249	5.0	2.7	19.6	July	2046
55.1	Carclo Eng. 5p	132	5.9	6.0	17.7	Feb Sep	2070
22.2	Castings 10p	218	6.1	3.7	11.12	Jan Aug	2078
4.71	Cauldon Group 5p	31	0.33	4.0	27.12	February	2083

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
373.6	BBA Group	165	6.45	5.2	4.9	Nov May	1778
88.5	Do. 6.7pc Cm Red Cv Pf	102	6¾%	8.8	30.10	Nov May	5114
1,961.1	BET	264	11.5	5.8	12.11	Feb Aug	1820
21.3	BLP Group 10p	98	3.6	4.9	27.11	May Nov	1871
2,573.3	BOC Group	552	19.0	4.6	27.11	Jan. Aug.	1850
147.9	BSG Int. 10p	73	3.0	5.5	2.10	Dec. July	1720
81.2	BSS Group 20p	373	15.0	5.1	27.12	Jan July	1995
–	–	484	12.0	3.5	18.9	May Nov.	1997
7.88	BTR	197	–	–	–	–	1394
101.3	BTR Wrrnts	108	–	–	–	–	1923
55.5	BTR Warrants 1993/94	1	–	–	–	–	1963
3,120.1	BTR Nylex A$0.50	289	015c	2.5	13.11	Nov Apr	4857
192.0	Baird (Wm.) 50p	298	7.55	4.8	27.11	Jan July	1733
243.2	Bardon Grp 20p	182	5.29	2.4	27.11	Aug Dec	1688

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
49.9	Metal Closures	197	8.15	5.5	18.9	Dec. Jly	5357
28.7	Metsec 10p	192	3.6	2.6	16.10	May Nov	3362
71.6	Mid Kent Hldgs	298	6.0	2.7	27.12	Oct Jan	4389
1.62	Do. Wrts	87	–	–	–	–	4409
3.06	Mie & Allied Sph 12½p	25	–	–	2.80	–	5391
8.98	MITIE Group 50p	163	–	–	6.78	–	2889
31.8	Monks & Crane 10p	66	3.83	7.7	11.12	Feb Aug	3402
405.0	Morgan Crucible	298	10.9	4.9	13.11	Jan. July	3416
38.1	Do. 7.5pc Cnv Red Prf	127	7.5	7.9	27.11	Jan Jly	4673
34.0	Mosaic Invs. 10p	315	5.5	2.3	31.7	Apr Oct	4819
191.7	Myson Grp 10p	296	6.25	3.5	2.10	July Nov	3450
38.5	NMC Grp 12½p	99	3.3	4.4	27.12	Jan Oct	3451
29.6	Do. 7.75pc Rd Cv Prf	98	7.75	11.5	18.9	Sept Mar	5190

INSURANCES

LONDON SHARE SERVICE

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LEISURE

Market Cap. £m	Stock		Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
25.7	Airtours 10p	y	146	7.0	6.6	3.7	Feb July	1540
116.1	Anglia TV	β	268	†7.75	3.9	3.7	Aug Jan.	1611
50.5	Aresco 1p	β	96	†g1.19	1.6	3.7	Oct Apr	1710
4.20	♦BCE Hldgs 5p	y	19	0.4	3.6	30.1	Sept Mar	1719
14.6	Barr & W.A.T. 'A'	y	295	†15.0	6.8	4.9	Oct July	1764
16.7	Boosey & Hawkes	y	425	†10.0	3.1	30.10	Jul Dec	1873
4.66	♦Border T.V.	y	46	†2.0	5.6	27.12	Oct Feb	1878
186.3	Brent Walker 10p	β	367	†11.0	4.0	16.10	July Jan	1945
135.6	Do 6pc.Cr.Cm.Rd.Pf	y	103	6.0	7.8	30.10	Jan July	1944
52.5	Buckingham Int'l. 10p	y	68	–	–	5.87	Jan May	3152
20.9	Campari Int. 20p	y	203	8.5	5.6	18.9	Oct May	2048
166.5	Capital Radio 10p	β	1020	18.0	2.4	11.12	Jan July	2068
1,454.9	Carlton Communics.	α	778	9.37	1.6	3.7	Apr Aug	2073
167.9	Do. 6.5p Prf	y	108	6.5	8.4	13.11	Jan July	4876
21.3	♦Castle Commns. 5p	y	423	8.5	2.7	30.10	Apr Dec	2079
194.0	Central ITV	β	763	†25.5	4.5	16.10	Nov May	2091
39.7	Chrysalis	y	143	a3.43	3.2	17.7	Apr Aug	2134
162.3	Cityvision 5p	β	143	†b0.5	0.5	2.10	Jun Nov	2150
8.1	Classic Th'treis In 0.20	y	19	–	–	–	–	1363
254.3	Compass Group 5p	β	382	9.0	3.2	19.6	Jan Jul Mar	1687
1,654.1	Euro Disneyland Fr10		973	–	–	–	–	5372
83.0	European Leisure	y	93	q1.5	2.2	28.11	Apr Jan	1413
12.5	Ex Lands 10p	y	55	0.5	1.2	25.4	May	2513
20.6	Expedier Leis. 20p	y	80	–	–	–	–	9092

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

Market Cap. £m	Stock		Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
1,909.8	BAA	α	380	†9.0	3.2	27.11	Jan. Aug.	1721
1,607.8	British Airways	α	223	†7.75	4.6	27.11	Jan Jly	1891

TRUSTS, FINANCE, LAND

Investment Trusts

Finance, Land, etc

TRUSTS, FINANCE, LAND – Contd

Market Cap. £m	Stock		Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
15.7	Oceana Development		295	♦2.2	1.0	19.6	July	3548
100.6	Overseas Inv Tst.	β	269	2.15	1.1	13.11	Jun Dec	4645
33.8	Pacific Assets 50p	β	288	0.85	0.4	13.3	April	3585

WATER

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
2,721.8	Westn. Mining 50c.	315	†Q23c	3.5	25.10	November	4479

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	y	91	+3	Arnotts	405	......
Craig & Rose £1	y	830	......	Carrol (P.J.)	y 173xd	+1
Finlay Pkg. 5p	y	57	–1	Hall (R. & H.)	185	......
Holt (Jos) 25p	y	1348	+8	Heiton Hldgs.	y 102	+1
				IRG	210xd	–10
				United Drug	178	......

IRISH

Cap. 8½% Ln. 1991	£96¾	......
9pc Cap Ln. 1996	£96½	......
Fin. 13% 97/02	£115	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¼
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit. Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	32
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines

Lonrho	23
RTZ	45

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CURRENCIES, MONEY AND CAPITAL MARKETS

POUND SPOT- FORWARD AGAINST THE POUND

Jan.12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6550 - 1.6720	1.6700 - 1.6710	0.95-0.93cpm	6.75	2.75-2.72pm	6.55
Canada	1.9290 - 1.9330	1.9320 - 1.9330	0.46-0.38cpm	2.62	1.38-1.23pm	2.71
Netherlands	3.15 - 3.16¾	3.15¾ - 3.16¾	1¾-1½cpm	6.19	4¾-4⅝pm	5.95
Belgium	58.45 - 58.90	58.65 - 58.75	25-19cpm	4.50	72-58pm	4.43
Denmark	10.83½ - 10.87¾	10.85¾ - 10.86¾	2¾-2¼orepm	2.77	8¼-7¼pm	2.84
Ireland	1.0440 - 1.0625	1.0490 - 1.0500	0.32-0.27ppm	5.15	0.88-0.78pm	3.16
W. Germany	2.79½ - 2.80¾	2.80¼ - 2.80¾	1¾-1⅝pfpm	7.24	4⅝-4½pm	6.52
Portugal	245.90 - 247.75	246.75 - 247.75	8-42cdis	-1.21	195-361dis	-4.50
Spain	182.15 - 182.75	182.40 - 182.70	3-9cdis	-0.39	24-43dis	-0.73
Italy	2084¾ - 2093¾	2091 - 2092	4¾-3½lirepm	2.33	12¾-9½pm	2.17
Norway	10.79¾ - 10.84½	10.82 - 10.83	3½-2¼orepm	3.40	8¾-8pm	3.11
France	9.50¼ - 9.58	9.54¾ - 9.55¾	3⅝-3cpm	4.01	9-8½pm	3.67
Sweden	10.18½ - 10.23½	10.20¾ - 10.21¾	2¼-1⅞orepm	2.43	4¾-4pm	1.72
Japan	241¼ - 243¾	242¼ - 243¼	1⅞-1¾ypm	8.98	4¾-4⅝pm	7.74
Austria	19.61 - 19.74	19.69 - 19.73	10⅞-9⅛grpm	6.09	31¾-26½pm	5.85
Switzerland	2.48¾ - 2.50¾	2.49 - 2.50	1¼-1cpm	5.43	3¾-3¼pm	5.13
ECU	1.3740 - 1.3770	1.3750 - 1.3760	0.48-0.45cpm	4.06	1.29-1.24pm	3.68

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 58.65-58.75 Six-month forward dollar 5.27-5.22cpm 12 Months 9.43-9.33cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jan 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6550 - 1.6720	1.6700 - 1.6710	0.95-0.93cpm	6.75	2.75-2.72pm	6.55
Ireland†	1.5660 - 1.5765	1.5730 - 1.5740	0.51-0.46cpm	3.69	1.43-1.33pm	3.50
Canada	1.1545 - 1.1580	1.1560 - 1.1570	0.39-0.42cdis	-4.20	1.10-1.17dis	-3.93
Netherlands	1.8825 - 1.9015	1.8920 - 1.8930	0.09-0.11cdis	-0.64	0.28-0.31dis	-0.62
Belgium	35.00 - 35.40	35.10 - 35.20	5.50-8.00cdis	-2.30	16.00-23.50dis	-2.24
Denmark	6.48 - 6.53½	6.49¾ - 6.50¼	2.10-2.30oredis	-4.06	6.00-6.50dis	-3.85
W. Germany	1.6695 - 1.6855	1.6780 - 1.6790	0.05-0.03pfpm	0.29	0.01pm-0.02dis	-0.04
Portugal	147.90 - 148.40	147.90 - 148.40	90-110cdis	-8.09	310-390dis	-9.44
Spain	108.60 - 109.85	109.35 - 109.45	60-70cdis	-5.27	190-200dis	-7.15
Italy	1246½ - 1255¼	1251¼ - 1252¼	4.40-5.00liredis	-4.52	13.30-14.80dis	-4.50
Norway	6.47 - 6.51	6.47¾ - 6.48¼	1.75-2.00oredis	-3.47	5.55-5.95dis	-3.55
France	5.68¾ - 5.74	5.71¼ - 5.71¾	1.25-1.35cdis	-2.73	4.15-4.30dis	-2.96
Sweden	6.10¼ - 6.14¼	6.10¾ - 6.11¼	2.25-2.40oredis	-4.56	7.45-7.80dis	-4.99
Japan	144.75 - 145.60	145.25 - 145.35	0.22-0.20ypm	1.74	0.46-0.43pm	1.23
Austria	11.78 - 11.85	11.78 - 11.78	0.25-1.15grodis	-0.71	1.10-3.60dis	-0.79
Switzerland	1.4885 - 1.5090	1.4935 - 1.4945	0.23-0.26cdis	-1.97	0.53-0.58dis	-1.49
ECU	1.2045 - 1.2145	1.2125 - 1.2135	0.29-0.27cpm	2.80	0.91-0.86pm	2.95

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.10-35.20.

EXCHANGE CROSS RATES

Jan.12	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.671	2.805	242.8	9.548	2.495	3.163	2092	1.933	58.70
$	0.598	1	1.679	145.3	5.714	1.493	1.893	1252	1.157	35.13
DM	0.357	0.596	1	86.56	3.404	0.889	1.128	745.8	0.689	20.93
YEN	4.119	6.882	11.55	1000	39.32	10.28	13.03	8616	7.961	241.8

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

LONDON MONEY RATES

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

CHICAGO

MONEY MARKETS

Rate prospects less than encouraging

CHART WATCHERS in London are coming to the conclusion that the prospects for sterling interest rates are less than encouraging.

UK clearing bank base lending rate
15 per cent
from October 5

The longer end of the interbank market firmed last week, as sentiment turned against an early cut in bank base rates. This was partly technical, reflecting the fact that it probably requires a base rate cut within the next year - which, although thought likely, is by no means certain - to make it worth staying in the longer end, and also because lack of liquidity at the longer end makes investment more risky than in shorter term rates.

At the same time the price of short sterling futures on Liffe has weakened and will continue to do so, according to Mr Nick Parsons, economist at Union Discount. He sees two important technical support points for March short sterling - at 84.80 on a longer term trend and at 84.05 if a shorter term trend prevails. The longer term slide is more gentle, and started about February last year. The shorter term line of decent is steeper and began last August.

A level of 84.05 is consistent with a rise in base rates. Mr Parsons believes this is no more than a 10 to 1 risk at present, but this week's economic news could shorten the odds.

The City generally expects a rise in the year-on-year inflation rate on Friday, and is also worried that Thursday's figures will show strong earnings growth, as the Ford pay negotiations cast a cloud over the market. Today's data may also indicate reasonably strong retail sales over the Christmas period.

STERLING INDEX

		Jan.12	Previous
8.30	am	88.1	87.9
9.00	am	88.1	87.9
10.00	am	88.2	87.9
11.00	am	88.2	87.9
Noon		88.2	87.9
1.00	pm	88.2	88.0
2.00	pm	88.2	88.0
3.00	pm	88.2	88.0
4.00	pm	88.3	88.0

CURRENCY MOVEMENTS

Jan.12	Bank of England Index	Morgan** Guaranty Changes %
Sterling	88.3	-23.4
U.S Dollar	66.8	-11.5
Canadian Dollar	105.0	+2.2
Austrian Schilling	110.3	+12.5
Belgian Franc	109.9	-3.4
Danish Krone	109.0	+3.5
Deutsche Mark	119.3	+25.6

£ IN NEW YORK

OTHER CURRENCIES

CURRENCY RATES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	FRIDAY JANUARY 12 1990 US Dollar Index	% change since Dec.29 '89	Pound Sterling Index	Local Currency Index	% change local currency since Dec.29 '89	Gross Div. Yield	THURSDAY JANUARY 11 1990 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	158.31	+4.6	140.50	132.62	+4.1	5.14	156.51	140.04	131.37	160.41	128.28	150.07
Austria (19)	219.85	+20.7	195.12	191.40	+19.7	1.27	216.80	193.98	189.71	219.85	92.84	93.71
Belgium (61)	160.02	+3.5	142.02	138.71	+2.2	4.03	158.90	142.18	138.33	160.02	125.58	134.30
Canada (120)	149.41	−1.8	132.61	125.13	−2.0	3.20	151.75	135.77	127.08	154.17	124.67	129.88
Denmark (36)	250.34	+3.4	222.18	221.31	+2.1	1.43	248.50	222.34	220.58	250.34	165.35	157.20
Finland (26)	140.53	+5.4	124.72	116.91	+3.4	2.66	139.27	124.61	116.51	159.16	118.63	128.03
France (125)	155.61	−0.3	138.10	139.50	−1.5	2.70	157.10	140.56	141.21	157.97	112.57	116.87
West Germany (96)	130.32	+5.3	115.66	113.73	+4.5	1.85	128.75	115.20	112.65	130.32	79.56	87.57
Hong Kong (48)	116.70	−0.4	103.57	116.89	−0.3	4.87	117.57	105.20	117.88	140.33	86.41	117.94
Ireland (17)	194.82	+7.3	172.91	174.48	+6.0	2.49	195.57	174.98	175.69	196.69	125.00	128.10
Italy (96)	102.11	+3.7	90.62	95.48	+2.4	2.39	102.08	91.33	95.67	102.11	74.97	83.97
Japan (455)	187.84	−4.8	166.71	172.53	−3.8	0.47	189.83	169.85	174.47	200.11	164.22	197.43
Malaysia (36)	236.56	+3.3	209.95	245.81	+3.3	2.18	238.21	213.14	247.66	238.21	143.35	150.56
Mexico (13)	328.08	+0.8	291.17	972.81	+1.6	0.53	333.97	298.82	990.28	337.02	153.32	160.09
Netherland (43)	140.45	−2.4	124.65	121.32	−3.3	4.40	143.09	128.03	123.96	145.66	110.63	113.34
New Zealand (18)	74.88	+3.9	66.46	65.11	+1.0	5.41	74.86	66.98	65.25	88.18	62.64	71.31
Norway (24)	215.88	+8.0	191.60	189.88	+6.1	1.44	219.28	196.18	193.59	219.26	139.92	153.59
Singapore (26)	188.72	+6.5	167.49	164.59	+6.1	1.77	189.94	169.95	165.83	189.94	124.57	134.03
South Africa (60)	226.40	+15.2	200.94	165.78	+9.0	3.42	215.29	192.63	165.99	226.40	115.35	120.20
Spain (43)	160.18	−1.8	142.16	132.76	−1.8	3.99	161.61	144.60	134.43	169.75	143.14	148.16
Sweden (35)	206.21	+7.4	183.02	186.52	+5.9	1.84	206.70	184.94	187.81	206.95	138.45	146.97
Switzerland (62)	99.12	+5.4	87.97	91.81	+2.1	1.95	98.35	88.00	92.65	99.12	67.81	78.61
United Kingdom (306)	162.20	+2.2	143.96	143.96	−1.3	4.39	163.37	146.17	146.17	164.31	133.28	138.20
USA (542)	137.60	−3.8	122.12	137.60	−3.8	3.40	141.01	126.17	141.01	146.29	112.13	115.50
Europe (989)	145.96	+2.5	129.54	128.82	+0.4	3.31	146.36	130.96	129.92	146.66	112.63	115.76
Nordic (121)	198.12	+5.7	175.83	169.89	+4.3	1.68	198.00	177.16	170.51	198.12	137.95	141.76
Pacific Basin (667)	184.13	−4.4	163.41	168.89	−3.5	0.72	185.92	166.35	170.65	194.72	160.44	192.26
Euro−Pacific (1656)	169.07	−2.1	150.05	152.94	−2.2	1.63	170.30	152.38	154.43	174.18	141.56	161.61
North America (662)	138.20	−3.7	122.65	136.82	−3.7	3.39	141.55	126.65	140.13	146.66	112.79	116.27
Europe Ex. UK (683)	134.66	+2.7	119.51	119.42	+1.5	2.60	134.63	120.46	119.90	134.68	98.30	101.57
Pacific Ex. Japan (212)	139.32	+3.2	123.65	123.26	+2.8	4.69	138.84	124.23	123.00	140.05	111.93	130.38
World Ex. US (1849)	169.03	−1.9	150.02	152.38	−2.0	1.70	170.19	152.27	153.88	173.77	141.49	160.10
World Ex. UK (2085)	156.26	−2.9	138.68	147.72	−2.7	2.00	158.27	141.61	149.84	162.00	136.98	143.47
World Ex. So. Af. (2331)	156.34	−2.6	138.76	147.20	−2.7	2.21	158.36	141.69	149.35	161.84	136.67	143.13
World Ex. Japan (1936)	142.30	−0.8	126.29	134.43	−1.7	3.41	144.23	129.05	136.67	145.52	114.51	116.76
The World Index (2391)	156.77	−2.5	139.13	147.33	−2.6	2.22	158.70	142.00	149.46	162.05	136.68	142.98

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

CONSTITUENT CHANGES: Deletions: Morgan Grenfell (UK)(8/1/90) and Hoboken-Overpelt (Belgium)(9/1/90).

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 75,509

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	Northern Bank Ltd	15
Adam & Company	15	Coutts & Co	15	Norwich Gen. Trust	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Nykredit Mortage Bank	15½
Allied Irish Bank	15	Dunbar Bank PLC	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Duncan Lawrie	15	Provincial Bank PLC	16
Associates Cap Corp	14	Equatorial Bank plc	15	R. Raphael & Sons	15
Authority Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Bank of Baroda	15	First National Bank Plc.	16	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Hapoalim	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank Credit & Comm	15	Girobank	15	TSB	15
Bank of Cyprus	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of Ireland	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of India	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Bank of Scotland	15	Hampshire Trust Plc	15½	Western Trust	15
Banque Belge Ltd	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Barclays Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Benchmark Bank PLC	15	C. Hoare & Co.	15	Yorkshire Bank	15
Brit Bk of Mid East	15	Hongkong & Shangh	15		
● Brown Shipley	15	● Leopold Joseph & Sons	15		
CL Bank Nederland	15	Lloyds Bank	15		
● Charterhouse Bank	15	McDonnell Douglas Bnk	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	Midland Bank	15		
Clydesdale Bank	15	Mount Banking	15		
Comm.Bk.N.East	15	Nat Bk. of Kuwait	15		
		NatWestminster	15		

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LONDON RECENT ISSUES

EQUITIES

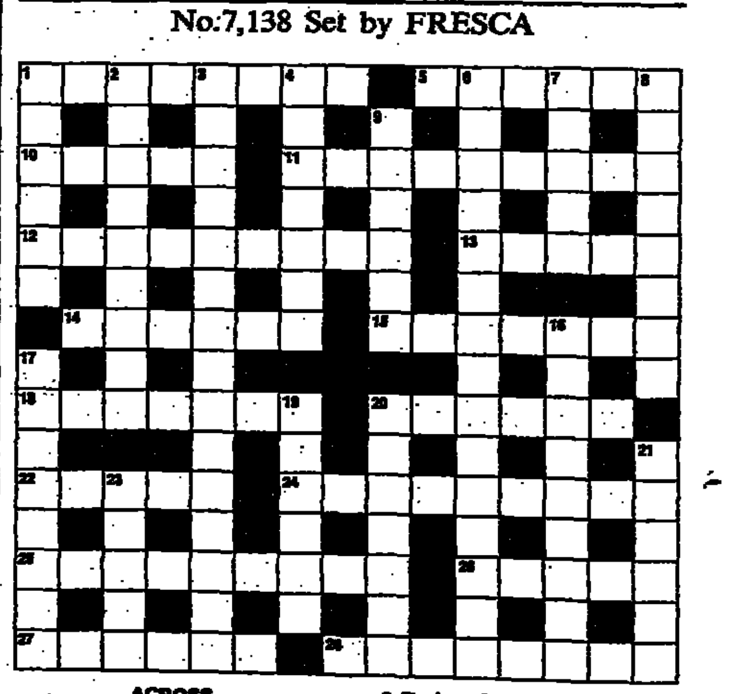
FIXED INTEREST STOCKS

RIGHTS OFFERS

JOTTER PAD

CROSSWORD

No:7,138 Set by FRESCA



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18 A number of insects in occupation (7)
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28 Desk accessory turns skin brown by day (8)

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3 Rain on party: most turn to whatever shelter's available (3,4,2,1,5)
4 Small tree from the middle of Harwell: be charitable about it (7)
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7 Compositional element Frenchman's book provided (5)
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16 Acceptable team disbanded during sporting occasion in Central America (9)
17 Way to meet expense of a county town (8)
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20 US writer's circle in south and north European setting (7)
21 Journalists – between them they get it ready for publication (6)
23 Pointed window with nothing to contribute (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday January 27.

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | JAPAN | FRANCE (continued) | GERMANY | ITALY | GERMANY (continued) | NETHERLANDS | SPAIN | ITALY (continued) | SWEDEN | SWITZERLAND | NORWAY | SOUTH AFRICA | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | MALAYSIA | SINGAPORE

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices.

CANADA

TORONTO
Closing prices January 12

MONTREAL
Closing prices January 12

Total Sales 13,974,943 shares.

INDICES

NEW YORK

DOW JONES	Jan 12	Jan 11	Jan 10	Jan 9	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2689.21	2760.67	2750.64	2766.00	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	92.74	92.84	92.83	92.81	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1140.65	1165.72	1164.30	1176.21	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220.70	225.67	224.66	223.78	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2735.92 (2783.28) Low 2675.98 (2748.29)

STANDARD AND POOR'S

	Jan 12	Jan 11	Jan 10	Jan 9	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	339.93	348.53	347.31	349.62	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	390.72	400.57	399.15	401.54	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	30.04	30.75	30.62	30.93	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	188.32	192.78	192.12	193.35	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	372.23	379.35	378.29	380.44	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	439.72	448.86	450.70	456.77	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Jan 5	Dec 29	Dec 15	year ago (approx.)
Dow Industrial Div. Yield	3.84	3.87	3.89	3.66

	Jan 10	Jan 3	Dec 27	year ago (approx.)
S & P Industrial div. yield	2.94	2.86	2.95	3.21
S & P Indl. P/E ratio	14.80	15.19	14.74	13.23

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Philip Morris	4,363,600	38¾	– 1¼
Citicorp	2,581,700	26⅞	– ⅝
Phil Elect.	2,095,400	21⅛	
Sears Roebuck	2,094,000	38	– ⅛
Gen Elect.	1,949,500	63	– 1¼
Fannie Mae	1,870,000	36⅛	– ¼
A T & T	1,851,700	43¼	– 1⅛
Waste Mngmt.	1,501,900	33⅛	– 1½
Am Express	1,466,500	33	– ¾
Paramount	1,464,600	46	– 2

TRADING ACTIVITY

† Volume (Millions)	Jan 12	Jan 11	Jan 10
New York	183,880	154,390	175,990
Amex	17,278	10,908	13,230
NASDAQ	(u)	132,996	143,886
Issues Traded	1,989	1,964	1,967
Rises	203	877	484
Falls	1,486	570	1,036
Unchanged	300	517	447
New Highs	20	51	40
New Lows	60	28	35

CANADA

TORONTO	Jan 12	Jan 11	Jan 10	Jan 9	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3261.01	3340.48	3325.17	3344.40	3919.2 (1/9/89)	3207.5 (3/1/89)
Composite	3881.84	3941.70	3943.56	3952.35	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1961.92	1994.01	1998.41	2012.26	2069.68 (10/10/89)	1677.48 (3/1/89)

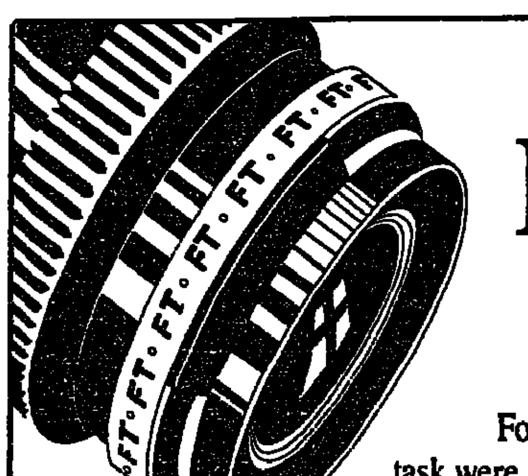
Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan 12	Jan 11	Jan 10	Jan 9	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1713.7	1695.5	1689.7	1690.6	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	869.2	853.9	848.1	849.7	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	581.75	577.10	572.73	568.18	581.75 (12/1/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	6599.43	6577.00	6548.98	6564.14	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	369.28	369.26	367.31	364.79	369.28 (12/1/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	626.1	626.0	617.7	610.3	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	546.7	542.4	542.8	545.1	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1968.65	1992.89	1970.38	1970.28	-	-
GERMANY						
FAZ Aktien (31/12/58)	776.71	768.50	767.44	776.08	776.71 (12/1/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2286.2	2268.5	2265.6	2290.7	2291.3 (3/1/90)	1595.7 (27/2/89)
DAX (30/12/87)	1855.66	1855.83	1839.63	1865.94	1869.66 (3/1/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2835.94	2855.52	2868.00	2822.16	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1859.05	1866.93	1857.64	1863.05	1866.93 (11/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	706.92	707.41	705.63	702.83	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	37516.77	38170.13	37696.51	37951.46	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2786.47	2814.13	2793.80	2817.24	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4078.60	4052.59	4009.22	3962.47	4078.60 (12/1/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite	587.93	592.90	587.83	583.30	592.90 (11/1/90)	367.31 (3/1/89)
NETHERLANDS						
CBS Ttl.Rtn Gen.(End 1983)	256.0	261.8	261.5	263.5	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	196.4	200.9	200.6	202.1	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	734.85	751.87	737.04	734.29	751.87 (11/1/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1099.50	1107.78	1120.23	1121.70	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore	430.88	433.24	432.80	430.03	433.24 (11/1/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2206.0&	2214.0	2158.0&	2168.0	2254.0 (12/12/89)	1291.0 (15/2/89)
JSE Industrial (28/9/78)	3006.0&	3000.0	2982.0&	2967.0	3006.0 (12/1/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	903.11	903.27	911.47	920.21	1007.80 (3/4/89)	844.75 (11/12/89)
SPAIN						
Madrid SE (30/12/85)	295.27	296.16	297.22	298.41	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Jacobson & P. (31/12/56)	4558.1	(u)	4561.9	4542.8	4660.3 (16/8/89)	3333.9 (3/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	783.6	787.2	781.7	777.3	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	10588.56	10134.97	9868.82	9805.40	10773.11 (25/9/89)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	897.31	888.72	912.18	909.95	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	561.6	560.1	563.2	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Jan. 6: Taiwan Weighted Price: 9927.06 Korea Comp Ex. 912.86
& Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Friday January 12 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Mining	17.6m	1,090	-10
Sharp	10.1m	1,870	+10
MHI	9.7m	1,110	0
Toshiba	8.9m	1,180	-40
Toyo Menka	8.4m	1,090	-30
Japan Mt&Chm	7.1m	1,280	0
Nippon Steel	6.9m	758	-6
Kurabo	6.6m	945	-17
Marubeni	6.3m	1,080	-20
C.Itoh	6.0m	1,200	-10



4pm prices January 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	24	AAR	.48	1.4	20	500	34	33¼	33¼	– ⅝
9⅝	8½	ACM n	1.01	11.		576	9⅝	9¼	9¼	– ⅜
11⅝	10½	ACMIn	1.26	11.		378	11⅜	11¼	11⅜	
9⅞	8	ACM M	n1.01	11.		270	9⅛	9	9⅛	
11½	10	ACM Sc	1.26	11.		1220	11⅜	11¼	11¼	– ⅛
9⅝	8⅝	ACMSp	1.01	11.		1083	9⅜	9⅛	9⅛	– ⅛
19⅝	11½	AL Lab	.16	.9	19	134	18⅝	18⅝	18½	– ¼
4⅛	3⅛	AMCA	.12e	2.8	10	15	4⅛	3½	4⅛	+ ⅛
6⅛	3⅞	AM Intl			8	867	4	3⅞	3⅞	– ⅛
23½	16⅝	AM In pf	2	11.		451	18⅞	18½	18⅝	– ⅜
107¼	52⅛	AMR			6	9968	55⅜	54½	54½	–1⅝
6⅛	3⅛	ARX				239	3¼	3⅛	3⅛	– ⅛
61½	39¼	ASA	3a	4.9		4037	u63	61	61⅛	
35⅛	18¼	AVX	.24	.7	33	7035	34½	33¼	33⅞	– ⅛
70⅜	46¼	AbtLab	1.40	2.1	18	2299	67⅝	66¼	66⅛	–1½
18¼	11⅛	Abitibi g	.50			60	11½	d11¼	11½	
13	9¼	AcmeC	.40	3.7	14	343	11⅛	10⅞	10⅞	– ⅜
9⅛	6	AcmeE	.32	3.6	12	73	9⅛	9	9	– ⅛
36½	22	Acuson			20	754	30⅝	30	30⅛	– ⅛
16½	12⅞	AdaEx	2.06e	13.		144	15⅞	15⅝	15⅝	– ¼
15⅞	8½	Adobe				733	13¼	12⅝	12⅝	– ½
20¼	16½	Adob pf	1.84	9.6		5	19¼	19¼	19¼	– ⅛
10½	7⅛	AMD				4163	7⅝	7⅜	7½	– ¼
35	28½	AMD pf	3	10.		35	29⅞	29½	29⅞	
10⅛	6⅝	Advest	.16	2.3	10	1417	7¼	7	7	– ⅛
62½	46¾	AetnLf	2.76	5.0	9	1744	55⅞	54⅞	55	–1⅞
14	11	AfilPb	.24	2.2		1123	11⅜	11	11⅛	– ⅛
25	16⅛	Ahmans	.88	5.0	9	1560	18	17⅝	17⅝	– ½
3⅞	2⅛	Aileen				8	2⅜	2⅜	2⅜	– ⅛
50⅛	40	AirPrd	1.32	2.7	12	1126	49⅝	48¾	48⅝	–1⅜
39⅝	21½	AirbFrt	.60	1.7	19	156	36½	36⅛	36⅛	– ⅜
25⅛	15⅝	Airgas			10	278	18¾	18¼	18¼	– ⅝
20¾	18¼	Airlease	2.40	12.	11	9	19⅞	19¾	19⅞	
10⅛	8½	AlaP dpf	.87	8.9		222	9¾	9½	9¾	+ ⅛
99⅝	88¼	AlaP pf	9	9.3		z170	97	96	97	
107	102	AlaP pf	11	11.		z20	103½	103½	103½	– 1

Continued on Page 35

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— R—R—R —								
12	9⅞	RAC In	1.20a	11.		212	10⅞	10⅝	10¾	— ⅛
6	1⅞	RAC	.58a	17.		334	3⅛	3	3⅛	
10½	7⅝	RLC	.20b	2.4	9	103	8⅞	8⅝	8⅝	— ½
9½	8⅞	RLI Cp	.40	4.8	6	32	8⅝	8¼	8¼	— ¼
19¼	11¼	ROC Fd	.38e	2.8		2894	14⅛	13¼	13¼	— ⅞
8¼	6¼	RPC			17	20	6¼	6¼	6¼	— ⅛
6½	5⅞	RPS	.81e	14.	8	1230	5¾	5½	5⅞	
85⅝	35	Racal	.29e	.5	41	888	63½	61½	62	—2⅞
5⅜	2½	Radice n				14	3⅛	3⅛	3⅛	+ ⅛
101½	78¼	RalsPur	1.65	2.0	13	2049	82½	81¼	82⅛	—1
6⅜	5	RangrO			23	586	6⅛	6	6	— ⅛
39¼	28¼	Raycm	.32	1.0	31	1086	32¼	31⅝	31⅝	— ⅜
21	18	Raymr	2.80	14.	5	106	20⅜	20¼	20½	
3¼	½	vjRayte				40	2⅛	2	2	— ⅛
85	64⅝	Raythn	2.20	3.3	8	1812	67⅛	66	66⅝	— ⅝
5	15-16	RdgB n				303	2¾	2½	2½	— ¼
17	14⅞	REIT	1.38	9.1	10	55	15⅛	15	15⅛	— ⅛
12⅝	5½	RecnEq				668	7	6½	6½	— ⅝
20	11⅛	Reebok	.30	1.6	14	6837	18⅝	17⅞	18¼	— ¼
18	10⅝	Reece	.15e	1.4	52	3	10⅝	10⅝	10⅝	— ¼
½	7-64	Regal				75	3-16	9-32	9-32	—1-32
9⅜	8¼	RegiFn	.29e	3.5		762	8⅝	8¼	8⅜	— ⅛
15⅝	12½	ReichTg	1.78a	12.	9	24	14⅞	14¼	14⅞	
8⅝	4⅜	RelGrp	.32	5.4		486	6⅞	5⅞	5⅞	
24⅞	16¼	Repeol	n.35e	1.6		536	23	22½	22½	— ⅜
5¾	4⅞	RepGyp	.20	3.9	24	16	5⅛	5⅛	5⅛	
52⅞	42¾	RepNY	1.28	2.5		163	51	50¼	50½	— ⅜
15¼	2⅞	Rsena			1	578	2⅞	2½	2½	
33⅞	21⅞	RayRey	.80	3.7	9	39	21⅞	21⅝	21⅝	— ⅛
62¼	48	ReyMtl	1.80	3.3	6	1658	55½	54⅛	55	—1⅛
19	17⅛	RhP pfA				132	18⅛	18¼	18⅜	+ ⅛
3¼	1⅞	RhnP wt				913	u 3½	3	3⅛	— ⅛
22	18⅝	RhnPl n				504	21⅞	21¼	21⅝	— ¼
41⅛	29½	RiteAid	.90	2.7	13	878	33⅛	32½	32¾	—1⅛
		— X—Y—Z —								
44¼	23½	XTRA	.72	2.8	21	150	26¼	25⅝	25⅞	— ½
33	21⅛	XTRA pf	1.94	8.6		52	23	22½	22½	— ⅝
4¼	2	Zapata				197	2¾	2⅝	2⅝	— ⅛
13	7⅞	Zemex	.20	2.4		27	8½	8¼	8¼	— ⅛
21½	11½	ZenithE				988	12½	12¼	12¼	— ⅜
21½	16¾	ZenNtl	.84	4.7	8	144	18⅜	18	18	— ½
10	6½	Zenix	1.20	17.		133	7¼	7⅛	7⅛	— ¼
18½	13⅞	Zero s	.40	2.5	15	103	16½	16	16⅛	— ½
44¼	25¾	Zurnln	.76	1.8	19	624	42⅝	41¼	41½	—1¾
12⅝	10	Zweig	1.21e	10.		1014	12¼	12	12⅛	— ⅛
10	8¾	ZweigTl	.96	9.8		2134	10	9¾	9¾	— ¼

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices January 12

NASDAQ NATIONAL MARKET

4pm prices January 12

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WmSon s		25	29	26½	25½	25½	—1
WilmTr	1.24	12	256	39¾	38½	39¾	+ ⅜
WiscTy		19	135	12¼	11½	11½	— ½
WiserO	.40	36	417	21¼	20⅞	21⅛	— ⅛
Wolohn	.28b	9	182	17	16½	16½	— ⅜
WlvEx h			1468	12⅞	12	12	—1
Worthg	.66	17	822	22¾	22½	22⅝	— ⅛
Wyman	.80		133	14½	14	14½	+ ¼
— X—Y—Z —							
XL Dta s		7	299	9½	9¼	9½	
XOMA			2254	22½	21¾	22½	— ¼
Xicor		6	3537	3½	3¼	3 5-16	—3-16
YanEnS	.76e	13	87	20½	19¾	20½	+ ¼
YelowF	.78	11	666	25⅞	25⅜	25⅜	— ½
YonkRs		21	1039	11⅛	10½	11⅛	— ⅞
ZionUt	1.44		30	28¾	27¾	28	— ½

The Business Column

Japan's car industry changes to higher gear

ONE of the smartest ways to stay on top in business is to change the rules while you are ahead. Now that western industry has finally grasped the importance of Japanese-style production, Japan's carmakers are preparing to do just that by widening the field of competition far beyond the factory floor.

If Japan's strategy succeeds, matching its levels of manufacturing quality and cost will still be essential - but no longer sufficient to stay competitive. The new battle will be waged around product development and production.

Though western carmakers have shortened their product development time from seven to five years in the past decade, the average time in Japan has been cut to four years - and Honda is at three. The process also absorbs half the man-hours required in the West, thanks to lean, multi-functional development teams which inter-act closely with manufacturing and production engineering.

Japan's second trump card is lower breakeven levels. Efficient, flexible manufacturing enables Japanese models to be replaced routinely every four years and output in production runs as low as 500,000. In most of the western car industry, higher unit costs dictate product lives of 10 years and volumes of about 2m.

Innovation

By combining these two advantages, the Japanese appear set to make speed of product innovation the competitive benchmark in the world car market of the 1990s. Borrowing a technique from the consumer electronics industry, they aim to shower the market with different models, which they will also use to test out new design features and technology.

The approach should enable Japanese manufacturers to respond more effectively to emerging consumer fashions - and indeed to generate those fashions. Its first fruits are already visible in the latest generation of compact town cars, still on sale only in Japan, and in Mazda's racy MX-5 sports convertible.

The volume car business, with its substantial scale economies, is unlikely to be displaced by this niche strategy. But it may well become more volatile, since output will be geared more directly to demand. In effect, the Japanese need only commit themselves to make models in volume once they have proven themselves in the market.

This changing pattern of competition may seriously jolt western carmakers, most of whom are geared to serving a market neatly divided into traditional product segments. To stay even, they will need drastically to streamline management and integrate their operations much more tightly, all the way from initial design to factory floor.

Ford is probably best-placed to meet the challenge. It has extensively reorganised its international production network, applying lessons learned from Mazda, its Japanese partner. It is also working hard to standardise components across different products and regions.

However, some industry experts are sceptical about Ford's plans to give worldwide responsibility for developing the different parts of its model range to centres in the US, Europe and Japan. They argue that this renewed attempt at a 'world car' strategy will impair Ford's ability to cater to diverse conditions in regional markets.

Integrated

By contrast, the trend in the Japanese industry is to create regional design and development centres focused primarily on local markets. The leader is Honda, which is well advanced with plans to create a completely integrated car operation in the US, which is already exporting output back to Japan.

If there is a consolation for western carmakers, it is that diversifying simultaneously by product and by region creates massive complexity, which the Japanese have yet to prove they can manage. For companies such as Toyota, which remains tenaciously committed to keeping all important functions centralised in Japan, the challenge is likely to be particularly hard.

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Guy de Jonquières

MONDAY INTERVIEW

The developer who looks a decade ahead

Paul Reichmann talks to **Paul Cheeseright** about his innovative approach to Canary Wharf

Paul Reichmann leaned forward in his chair. He spoke softly. He always does. The tone was even. It usually is. He talked of businessmen taking a long view.

Two things facilitate it. One is to have "a going concern with substantial values and cashflow." The other is to have "no requirement for quarterly results;" and this, he added, "comes back to private control."

This long view and this private control are now being applied to Canary Wharf, a property development on the Isle of Dogs in east London which is so vast that, if it works, it can be the catalyst of a shift in the geographical and commercial balance of the British capital from west to east.

"To understand Canary Wharf is to understand Olympia & York. O&Y has always been an innovator."

This Canadian company is the Reichmann corporate vehicle, a commercial motor of such perceived power that when, in 1987, it took over the development of Canary Wharf, there was an automatic presumption that what had before looked a shaky venture would be a solid happening.

O&Y has not disappointed. Money has been poured into a scruffy part of the old London docks and buildings have started to come out of the ground. They are the first of a series on 24 separate building sites which will provide 10m square feet of office space – roughly equivalent to one seventh of the City of London's existing space – plus shops, restaurants, a hotel, car parking and space to walk around.

"My conviction is that east London will become a major business district to complement the City and the West End," said Mr Reichmann. "There will be large developments like King's Cross but east London is the only area where a major city can be built."

This confidence, this desire to take a view which looks forward a decade, is in sharp contrast with the view of the major British property groups. They have been dismissive of opportunities in London Docklands, preferring the established locations for developments further to the west. "I wouldn't think twice about it. We've had the chance for the last 15 or 20 years," said Sydney Mason, chairman of Hammerson, in these columns last August.

Mr Reichmann, in British terms, is taking risks at Canary Wharf that the quoted British companies would not dare to contemplate. There are very few, if any, company chairmen who would be prepared to go to their shareholders and say, "Look, we're proposing to spend £4bn on some derelict land development and your dividends are going to be cut for the foreseeable future."

But O&Y does not have to bother about dividends. For Mr Reichmann, there are two ways of looking at when there will be a return from Canary Wharf. One is value for the cost of money. "That is now if you believe in the scheme" – the equivalent of saying that an article just purchased is worth the money paid for it

PERSONAL FILE

- **1930** Born, Vienna. Educated in Tangier
- **1954** Moved to Toronto
- **1956** First property ventures in Canada
- **1975** Completed First Canadian Place, 5m square feet of offices in Toronto. Appointed General Manager
- **1976** Entered New York market with purchase of eight buildings.
- **1986** Completed World Financial Centre in New York
- **1987** Took control of Canary Wharf

provided it was desired in the first place. The second is cashflow, "to exceed the cost of money," as Mr Reichmann put it. "That will take 10 to 15 years."

Such a time frame for cash returns would stretch the patience of even the most conservative and sluggish of British institutions. Not only that. O&Y has been prepared to shoulder the front-end risk of Canary Wharf for much longer than would be acceptable to any British property development company.

So far all the work at Canary Wharf has been paid for out of O&Y's existing resources. "We have not done any financing with UK institutions. We felt we should not do so until we reached a more advanced stage of the project," said Mr Reichmann. That stage will arrive during the next few months. But most British developers would want all their project finance in place before the first hole was dug on the site.

"Because we set out not to copy what others have done, the criteria are different. We know what we will create and we know what the value will be," Mr Reichmann asserted. He, at least, feels secure in the claim that "we are creating something that does not exist in Europe."

The odd thing is that the reasons Mr Reichmann gives as justifying investment in Canary Wharf would not be much disputed in the British property industry. He starts from the point that, according to O&Y's research, the British economy over the last decade has levered itself up on to a higher trend line of growth.

"The greatest importance to us is the fact that Britain has changed in the last 10 years – the work habits, productivity, the ability to get things done," he added. The implication is that, wobbles on the economic charts notwithstanding, there will be a continuing demand for office space.

"The office space is the plant and equipment of the service industries. They have grown at a faster pace than any other industry." But the facilities for the service industries have lagged behind. Two thirds of London's office space is obsolete, Mr Reichmann noted.

He brandishes Jones Lang Wootton figures to the effect that there is 155m square feet of offices in central London and Docklands. There is 23m square feet under construction and a further 53m square feet proposed. But, in central London, 45 per cent of the office space was built before the Second World War, 31 per cent between the war and 1979 and 24 per cent since then. Even some buildings constructed after 1980 fail to meet modern requirements for air conditioning and provide inadequately for information technology.

The only part of London where there is space to construct a new office city of appropriate standard with allied space for leisure is Docklands. All of this, said Mr Reichmann, with salesman's hat on, "will be compelling to companies wanting to improve their operations."

"Will be" are the operative words, for the only companies which so far have succumbed to the Reichmann reasoning are Merrill Lynch and Texaco, two groups which have been clients of O&Y in North America. There will be others like them. "Several names who will probably commit themselves quite soon are our tenants in America."

What Merrill Lynch and Texaco are paying, or being paid, to go to Canary Wharf, is not known, but said Mr Reichmann, "early years with low income do not disturb us."

It is at this point that Mr Reichmann and the British part company. The latter are less keen on the early low income, less enthusiastic about slogging through years of development, perpetually worried about the lack of transport facilities, though these are improving, and just not convinced that people want to go to Docklands.

But Mr Reichmann, and indeed his two brothers, forming the triumvirate which controls O&Y, have won enough commercial battles in their time to believe in victory at Canary Wharf, their largest undertaking so far. And they have won by taking the same sort of long view of earlier ventures as they now take of Canary Wharf.

'We view ourselves as a long-term UK company'

When, for example, they moved into the New York market, buying office towers in Manhattan, during 1977, the City was nearly broke, the future looked bleak and the locals said the Reichmanns were crazy. Now O&Y is the biggest landlord in Manhattan – the Rockefellers have been superseded. Property values now bear no resemblance to those 10 years ago.

The Reichmanns have accumulated property investments across the US and Canada, their home base. They have a string of equity investments, most notably Gulf Canada in the energy sector, and Abitibi-Price in pulp and paper. Their total asset value is shrouded in secrecy – $30bn (£18.6bn) perhaps? Who knows? Mr Reichmann shrugs, smiles but reveals nothing.

But property is his first love. There has recently been a corporate review, explained Mr Reichmann. "Our future growth will be mainly in property. The thing we are best at is property." And it will probably be outside the US. "Globalisation affects the company's operations. We did not know but we have discovered that development skills in the US are applicable in Europe."

So Canary Wharf is just the start. "We view ourselves as a long term UK property company. When Michael Dennis and Robert John (two O&Y executives in London) say we can take on more we will be doing other things." O&Y has bought a third of Stanhope Properties, a quoted UK developer. This gives Mr Reichmann "a window on the London market," and, he said, "in the long term we'll probably be doing joint ventures with Stanhope."

It is all very far cry from childhood days. The Reichmanns were a Jewish family on the run from persecution – Hungary, Austria, France, Spain and then the refuge in Canada. The sense of religious and family solidarity engendered by those years explains, at least in part, the steady nerve and firmness which is the characteristic of a Reichmann in a property deal. Not many budding tycoons "quite regularly were kept back from school for a couple of days to pack parcels" for Jews on the run from Hitler.

One authority would crown penal reform

JUSTINIAN

The management of some 130 penal institutions in England and Wales is about to be shaken up. At the same time, the Government is on the point of publishing its White Paper on legislative proposals for shifting the emphasis of criminal justice away from imprisonment and towards punishment in the community, to be administered largely by the Probation Service. Is there a case now for setting up a single public authority to oversee the whole penal system, custodial and non-custodial?

It is a quarter of a century since the Government dissolved the Prison Commission (established at the time of the nationalisation of prisons in 1878) and absorbed the prison administration into the Home Office. The move was heartily disliked by the penal reform lobby. The Prison Commissioners themselves were distinctly unenthusiastic about the change. And the prison service generally preferred to retain the direct link it had with a body of highly-respected and publicly identifiable commissioners who, while answerable to the Home Secretary, exhibited a high degree of independence from Whitehall.

The penal reform lobby argued then that the disappearance of the Prison Commission would remove those responsible for prisons from public view and scrutiny, allowing for less public interchange on penal affairs issues and consigning prison administration to the labyrinthine passages of an anonymous bureaucracy. Almost everything that has happened since in a parlous prison system has tended to confirm the opposition's prediction. Within the prison department of the Home Office the hierarchy of administration has become a gargantuan body largely incapable of providing an efficient organisation and management for running a modern penal system in a civilised society. Prison building programmes since 1959 have encountered difficulties in design and structure, so much so that the Department had to look to private architects and contractors to do the job. Prison industries have constantly run into difficulties. Staff management has been a worrisome problem, not helped by the Prison Officers Association, which has been a thorn in prison officials' flesh. It has been the kind of trade union that possessed and displayed an extraordinary capacity to frustrate the wishes of the employer. Even the "fresh start," sensibly introduced to rationalise the prison officers' pattern of work, has been only a qualified success.

Imprisonment for those sent inside by the court has improved, despite the continuing archaic sanitation in most prisons and overcrowding, particularly acute for the unconvicted prisoner remanded to the local prisons. The one bright spot has been the Prisons Inspectorate (the introduction of which was initially resisted by the Prison Service) vigorously led by the second Chief Inspector, Judge Stephen Tumim. Most of the liberal reforms of recent years – the abolition of censorship of prisoners' mail, the judicial supervision of prison disciplinary proceedings, and control over recall from parole – have been forced on the prison system by the European Commission and Court at Strasbourg.

There have of course been some advantages from the dissolution of the Prison Commission. Career civil servants responsible for prisons have worked with prison personnel who spend some of their time working at regional headquarters as well as in the Prison Department of the Home Office. The location of prison administration within the Home Office has certainly made it easier for Home Office Ministers to impress their policies upon the prison system. This has been a mixed blessing. The massive strengthening of security provisions following the escape in March, 1962 of George Blake, the double agent of both MI6 and the KGB, put the clock of penal progress back 20 years. The proposal by Lord Mountbatten following the Blake escape for a special maximum security prison to accommodate all Category A inmates was rejected in favour of the dispersal of these prisoners into four separate institutions. The policy has not been successful, if only because it imposed a higher degree of security for the bulk of Category B prisoners who were not high escape risks.

Talk about privatisation of prisons is fading as it becomes clear that this would not be commercially profitable. But the Home Secretary is indicating that the new structure of local management of prisons might take a leaf out of the book of the NHS by introducing general managers. But the detachment of prison administration from the non-custodial segment of the penal system persists

One distinct advantage of the absorption of the prison administration into the Home Office has been the close working relationship between prison administrators and those responsible for overseeing the Probation Service which functions outside of Government. It has thus been possible for Minister to formulate a cohesive penal policy and implement it legislatively.

Every consideration dictates that the time is ripe for the establishment of a Criminal Justice Executive, a government agency statutorily created to manage the criminal justice system. It will be responsible for all convicted prisoners, and unconvicted prisoners including those kept in police stations as well as local prisons. It would administer the non-custodial and semi-custodial penalties and disabilities. It will be responsible for mentally disordered offenders. And it could provide a valuable structural back-up for the myriad of voluntary organisations active in after-care and community service.